

Solvency or Downfall?

**SQUANDERMANIA
AND ITS STORY**

**BY
LORD ROTHERMERE**

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VISCOUNT ROTHERMERE

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POVING ON DOWNFALLS

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TO MY SON
ESMOND HARMSWORTH
THE FIRST ANTI-WASTE M.P.
AND THE
YOUNGEST MEMBER
OF THE
HOUSE OF COMMONS

FOREWORD

THE articles here reprinted were for the most part written with a single object. My purpose was to arouse both the nation and the Government to a perception of the economic calamities which must ensue if our public expenditure is not brought into closer relation with our diminished resources. A few articles which deal with Labour questions and with the unwise military adventures in Russia and the Middle East are also included. My original intention was to write a book which was to bear the title 'Solvency or Downfall?' and for this purpose I accumulated a considerable quantity of material. I abandoned the scheme of a special book, partly owing to business preoccupations which left me without the time required, and partly because I realised that the economic situation was changing so constantly that any book on the lines I had projected would soon be out of date. As an alternative I decided to reprint these articles, nearly all of which have appeared in one of my newspapers, the *Sunday Pictorial*. They form both a record and an indictment. Except for a few alterations and emendations, they appear here as first drafted, and where necessary the later figures are given in footnotes.

Some of the questions with which they deal have now been settled, but collectively the articles form a picture of a period to which the future historian will look back with amazement. I know of no precedent for the extraordinary prodigality with which our Government, at the close of a war unexampled in its dimensions and its cost, proceeded to scatter broadcast the remaining assets of the nation on a scale which would have been alarming even if we had suddenly been endowed with illimitable riches. The epidemic of bureaucratic Squandermania has not yet subsided. I think it must eventually end when the Government discover that the public cannot meet their enormous demands through sheer inability to find the money asked for. Meanwhile this little volume, the contents of which have already been read by millions in the

Sunday Pictorial, will provide an arsenal of facts and figures for those who feel disposed to join me in the struggle for the restoration of sane and thrifty principles in our public administration, both national and local.

Though in the course of these articles I have repeatedly found it necessary to criticise the Government, I wish to say once more that they were not written, and are not now republished, in any spirit of active hostility to the Administration of which Mr. Lloyd George is the head. The disease for which I seek to find remedies has origins which lie deep and are difficult to trace. One cause of the evil is that the bureaucracy, both on the combatant and on the civil side, has temporarily gained a subtle mastery over the Government, and being no longer amenable to the old checks and safeguards, has developed a recklessness which Ministers seem unable to resist. Yet this is not the whole explanation. The lavish expenditure necessitated by the Great War, coupled with the swift depreciation in the value of money, set in motion extravagant tendencies which for a time were shared by the entire nation. If after the Armistice the Government began to spend upon a scale which suggested that we had found great wealth instead of having lost much that we possessed, they were pursuing illusions which also misled the business world and the bulk of the general public. The orgy of spending was not confined to this country. It was visible in all countries. It was very marked in both North and South America, and in the more settled countries of the East. Even to-day we may contemplate upon the continent of Europe the little new nations, swamped with paper money, bankrupt in credit and destitute of lucrative trade, yet maintaining armed forces on a scale which they cannot possibly afford, cherishing territorial ambitions which must plunge them into ruin, and planning military enterprises which savour of madness.

I wish to register my strong conviction that unless the world in general, and our own country in particular, grasps the true meaning of the ravages of the Great War, civilisation as we have known it cannot long survive. The Great War left the world immeasurably poorer, and its consequences have choked the channels of international trade and completely dislocated the international exchanges. We do not possess the wherewithal to begin a new and more spacious life. It will take all our energies and all our remaining resources to build up

afresh what was best and most worth preserving in the old life which has gone. The fundamental economic factor is that even in pre-war days the world did not really produce sufficient for the needs of a very large proportion of its population. To-day production has undergone a great decline, and the situation is rendered worse because the world is unable to finance, distribute, and consume even its reduced production, and therefore the international movements of trade are slowing down towards a standstill. Starvation is an ugly word, but those nations which are industrial rather than agricultural are nearer starvation than appears upon the surface. We are primarily an industrial nation, and hardly any country in the world discloses a more perilous economic condition than that in which Great Britain now finds herself. If Labour realised the appalling dangers which are imminent, the word 'strike' would be erased from its vocabulary.

We have drifted so near the point of economic collapse that even if the Government revise their policy of expenditure they may not now avert the risks which threaten us. Yet a beginning must be made somewhere, and after having devoted long and anxious thought and study to these tremendous problems I find myself still imbued with my original belief that the first step necessary for our economic salvation is a root-and-branch reduction of Government expenditure. If that is done, the rest may follow. Without it, we are lost indeed. More nations have been destroyed by excessive taxation than from any other cause. There is no modern parallel for the appalling taxation under which the British nation is now being steadily crushed out of existence. In the days of stability before the war, we could not long have survived such an incidence of taxation as is now imposed upon us. To-day it is hastening our doom. Except for a comparatively few people, this country cannot continue to sustain a standard income tax of six shillings in addition to the heavy Customs, Excise, and other dues, and to the huge rise in local rates. It is absolutely certain that even a people so docile as our own will only accept during the menace of war, a menace which has now receded, a Government demand that they shall work for nearly half of every day in order to meet the cost of a criminally wasteful public administration. I take the question of income tax simply because it is an index factor. When the income tax

is excessive, it implies a rate of public expenditure which in one form or another imposes excessive burdens on the whole population. High taxation leads directly to unemployment, because it paralyses industry; and if we have millions of unemployed to-day, the cause is not to be found solely in economic world-conditions. To a great extent our industries were smashed by the renewed increase of the Excess Profits Duty and by the disastrous Budget of 1920.

The title of this book is not chosen at random, and it is not meant to be sensational. If we do not recover solvency, our swift downfall as a nation is certain. The first step towards regeneration must be a change of policy on the part of the Government, who are eating up the nation's resources. For more than two years I have waged a rather lonely fight against Squandermania. I have done so in the national interest, and my only object is to serve my countrymen.

ROTHERMERE.

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SOLVENCY OR DOWNFALL?

IS THE COALITION NECESSARY? ¹

Is the present method of Coalition Government working satisfactorily, and is it necessary to continue the existing combination of parties? On its present basis the House of Commons fails to satisfy the wishes of the nation. We are confronted by the grave fact that the country is losing faith in parliamentary government. This is not due to any inherent defect in our parliamentary system. It arises very largely from defects which have been brought about by the war. Why is belief in parliamentary institutions decaying among us? What defects in the working of our system have brought about this change of view? And what are the remedies? I cannot profess to offer a complete answer to these questions, for the field of inquiry is too large to be covered in a brief space. I can only attempt to indicate one or two factors which have a very close bearing upon the issues raised.

I believe that among the middle classes of all grades, and among people possessed of wealth, a primary cause of the loss of confidence in Parliament is the widespread alarm at our perilous financial situation. It is felt that the House of Commons automatically sanctions the spending of immense sums in all directions, and makes no effective attempt to enforce departmental economy. The working classes distrust the present system because they are deeply perturbed at the alarming and continuous rise of the prices of all commodities. Rightly or wrongly, they feel that Parliament ought to be able to bring prices down, and they consider that no adequate attempt is being made to do so.

We have just finished an unprecedented war, which has left us with an almost unimaginable load of debt. When a private individual incurs heavy liabilities, his first step, if he is a sensible man, is to cut down his expenditure. As a

¹ August 3, 1919.

nation we are doing precisely the reverse. We are recklessly entering upon schemes which, whatever their value may be, must enormously increase our national indebtedness.

The Government have very properly laid down the principle that the nation cannot continue to subsidise the coal industry. They say that the higher cost of coal must be borne by the consumer. I shall not enter into the merits of the coal controversy. I am only concerned with the principle that, to apply the words of Sir Eric Geddes, the coal industry must 'stand upon its own feet.' The same is true of all industries. The principle should be applied at once to transportation. Whatever the cost of passenger fares and goods freights, we have absolutely no right, in time of peace, to subsidise the railways out of taxation. Those who use the railways, whether for travel or for sending merchandise, should pay for them. Upon the question of nationalisation of the coal mines, or any other key industry, I will only say this: The position of our national finances entirely precludes any further vast disbursements for the purpose of nationalisation. I may add that experience shows that State control is almost invariably unprofitable.

I view with considerable apprehension the financial aspect of the great housing schemes. I am fully aware of the urgency of the housing problem, although it is difficult to understand the extreme shortage of houses, when we know that the population of Great Britain, through war losses of 900,000 men, is sensibly less than it was before the war. The question must be faced without delay, but in facing it we must also count the cost. Has anyone ever told us what the total outlay upon houses from public funds is likely to be? If we take the official statements of Great Britain's requirements, the expenditure must be immense. Comparatively small local bodies, rejoicing in the knowledge that they will not have to contribute more than a penny rate, are contemplating spending sums of a quarter or even of half a million. Will five hundred million pounds defray the cost of all these housing schemes? I doubt it. The position is admittedly difficult, but I maintain that we have no more right to subsidise houses out of taxation than we have to subsidise mines or railways. I am well aware that the principle of subsidising houses in a few slum areas is not new, but the gigantic schemes now under consideration entirely alter the issue. All houses built

by the State should pay an economic rent from the outset. There is one issue which transcends even the housing problem. That issue is national bankruptcy, which means general ruin. Bankruptcy is not yet in sight, but unless we rigidly control expenditure it may soon be visible on the horizon. Unbridled and wanton expenditure has produced taxation which is already excessive, and is likely to increase. I fear that before long men of quite limited incomes may be called upon to pay an income tax of ten shillings in the pound.

How far is Parliament responsible for the conditions I have described? I think it is demonstrable that the gravest possible blame rests upon the present House of Commons. It is true that in some respects it is extremely difficult for the House to exercise effective control over expenditure. There is force in the argument that our present financial procedure is largely obsolete, and that changes must be made. But what makes the nation despair of the House of Commons is that it does not even cultivate the spirit of economy. It quite properly saves £1,500 a year by cutting off an Under-Secretary from the Transport Ministry, and then stultifies itself by voting millions without any scrutiny at all. I wonder if members realise the painful impression created by the constant stories of empty benches when money is being poured out like water. One of the most singular things about the House of Commons is that it is always packed to hear fresh taxation proposals, but invariably empties when money is being voted. The military adventures in Russia and the Caucasus suggest a direction in which the House of Commons might have checked expenditure. Our various Russian expeditions have been debated solely from conflicting political points of view. I urge that one of the primary considerations is their cost. We cannot afford to indulge in any more costly crusades while we are impoverished, and have so many domestic needs. I know it will be said, first, that we owe a special duty to Russia, and, second, that immediately we withdraw from Russia we shall see Germany stepping in. I deplore the plight of Russia. I appreciate the gallant services of the Russian Army early in the war, but the duty we owe to Russia does not exceed that owed to her by our Allies. France was knit to Russia by far closer ties than ours, yet can it be said that the French have helped Russia as we have done? Neither the United States nor

France have made a tithe of the sacrifices we have made for Russia. The French will not fight for Russia. A French regiment mutinied not long ago on hearing a mere unfounded report that it was being sent to the Black Sea. Our own men have no liking for the Russian enterprise. The United States and Japan are withdrawing. As for German influence penetrating Russia, we must take that risk. We have bigger risks ahead of us at home. Whether we withdraw from Russia or not, the public are likely to find that one of the real results of the recent 'war to end war' will be to saddle the Exchequer with the cost of a largely increased Army and Navy. The remnant of the German Fleet constitutes no menace, the armies of our foes are broken up, but our permanent military and naval expenditure is being planned upon a basis far in excess of our outlay on defence before the war.

The Air Force contemplates an annual expenditure of more than the whole cost of the Army before the war.¹ The *London Gazette* contains nearly every day long lists of promotions and appointments in each branch of our forces. The entries of cadets for the Navy at Osborne and the Army at Sandhurst seem as large, if not larger, than ever. The heads of the fighting services appear to have in view a steadily expanding expenditure, and no one seems disposed to check them. Such, in brief, is the irony of the situation that whilst, under the terms of peace, German armaments are restricted to a few warships and an Army of 100,000 men, at a cost probably of ten million pounds annually, the militarist section of the Government is engaged in endeavouring to thrust on the backs of the British people a naval, military, and air programme costing not less than 300 million pounds yearly. Under this load, what chance has British trade in the future against the competition of Germany and the rest of the world?

Parliamentary methods are breaking down in this country because our constitutional system pre-supposes government by party. It is the fashion nowadays to decry party views and party ties, but party government is politically the very breath of our nostrils. The party system is an essential condition of our political health. We abandoned it in the war, for the best of motives, but it is time we went back to it. The temporary disappearance of party government is the true reason why Parliament shows increasing

¹ The Air Force estimates were afterwards reduced.

feebleness. 'His Majesty's Opposition,' as it has been called, is almost as necessary as His Majesty's Government.

The Coalition as at present constituted has outlived its usefulness. It has reduced the House of Commons to a pale shadow of its former self. The debates are spiritless, because everybody knows that they are a mere beating of the air. The nation is drifting into the habit of disregarding Parliament altogether—a very dangerous tendency. I have tried to show the defects of the parliamentary position, and the consequences which arise therefrom, with especial regard to national finance. What is the remedy? I will state my view in the fewest possible words. I believe that the old lines of party division have crumbled, and that most of the old party cries are dead. The very word 'Unionist,' for example, must soon lose its former meaning. I consider that the time has come for the creation of a new *bloc*, a combination pledged primarily to economy in administration and to the rehabilitation of the nation's finances on a sound footing. We want a progressive party, which will take real reconstruction for its watchword, and will prove that it is possible to make a new Britain without dissipating such resources as are left to us. We want, in short, a party which will do for this country what Lord Cromer did for Egypt when he found it bankrupt and derelict, and made a little money go a long way. The present Coalition will never practise economy. It came into being at a time when Ministers were accustomed to throw about hundreds of millions without stopping to ask where the money was to be found. It has acquired 'the spending habit,' and seems totally unable to check the wasteful and unbusinesslike tendencies developed in war. It thinks in compartments, and makes no attempt to adjust its schemes to its limited means. Each new and expensive project is examined and decided upon as though it were a thing apart, and there is no sign of any co-ordinated effort to consider our outlay as a whole. Whenever any fresh proposal is brought forward no Minister thinks of saying 'Can we afford it?' The Government are impervious to all attempts to check waste.

Lord Cromer selected Lord Kitchener out of half a dozen generals to run the Sudan War, because in those days Lord Kitchener was an economical administrator. If there is a reconstruction of the Coalition Government, a similar test should be applied to every Minister. The first question asked

SOLVENCY OR DOWNFALL ?

should be : ' Is he capable of effecting great economies ? ' It is time we got back to the principles which guided the economical administrations of the 'sixties and 'seventies of last century. In those days Ministers set an example to the nation, for most of them received no more than £2,000 a year. Apparently under the present dispensation that sum is expended on the annual upkeep of each of the motor-cars which a number of Ministers have at their disposal, while salaries of £5,000 apiece are now being voted without demur. The working classes cannot be blamed for drawing their own conclusions. For my part, I doubt whether a true spirit of economy will be developed by any reconstruction of the present Coalition. We must make a fresh start, or drift towards national ruin. Minds accustomed to the wanton extravagance of war cannot be adjusted to the economic exigencies of peace. We require, not only a reconstruction of the Government, but a reconstruction of parties on new lines. We must have retrenchment and reform. We want a new party which will pledge itself to prune ruthlessly our overgrown bureaucracy, to stop subsidies and doles as soon as possible, and to check excessive naval and military expenditure. I began by asking if the Coalition in its present form is any longer necessary. I say that it is not, and that paramount financial and other considerations compel us to set in motion a movement for the reconstruction of parties.

MR. LLOYD GEORGE AND ECONOMY ¹

SINCE I wrote on the financial and other dangers which beset our country, the Chancellor of the Exchequer has acknowledged that if the Government continue to spend at the present rate they will 'lead us straight to national bankruptcy.' Yet they are still moving in the same disastrous direction. Mr. Chamberlain said that his Budget estimates had been falsified owing to new expenditure and an unforeseen fall in receipts. He doubted whether he could strike a balance in 1920 without new taxation, unless drastic reductions of expenditure were made. But when are the reductions really going to begin? A little is being done, but meanwhile the Government continue to spend four and a half million pounds a day. I am convinced, not only that new taxation will be necessary, but that in view of the rate at which we are spending the increased taxation will be absolutely crushing. In the opinion of experts, we have very nearly reached our taxable limit. It is an axiom that every tax has a danger-point. When a tax becomes so heavy that it is insupportable, it produces less instead of more. This inexorable law is applicable even to the income tax. It can be applied with still greater certainty to our collective burden of Imperial and local taxation. Paradoxical though it may sound, taxes can tax themselves out of existence. We are nearing the danger-point of taxation in Great Britain, and it is time the Government paused.

I wish we could get back to the old Whig tradition of frugality with the nation's purse. I read the other day that Mr. Gladstone was so passionate an advocate of national economy that he grudged the money spent on a few flowers for the garden at the back of 10 Downing Street. At this juncture Government squandering is a form of sabotage. It devours the financial resources necessary to restore trade, and it is just as effectual in stopping economic recovery as the smashing of machinery and the tearing up of railway lines.

¹ August 17, 1919.

We might still avoid the menace of bankruptcy if we found a man to lead us who would put rigid implacable economy in the forefront of his programme. I think that Mr. Lloyd George might be that man. I am one of those who not only believe, but *know*, that Mr. Lloyd George did more than any other living man to win the war. The full story of the part he played cannot be told for years to come, and perhaps not until long after he has gone. He attacked and overcame immense obstacles, both in the war and in the making of peace. I hope to see him applying the same incomparable qualities to the gigantic task of making the country solvent. There can be no more urgent or more patriotic undertaking. It is that or downfall. The financial morass into which we are stumbling is as great a menace to our future as was the armed might of Germany five years ago. It may be objected that Mr. Lloyd George has not hitherto been a conspicuous exponent of national economy. Five years ago, I answer, no one thought of him as one who could wage war successfully, yet he has led the nation to victory in the greatest war in history. He has great vitality and reserves of energy still unexhausted. He saved us from collapse in one direction, and might save us in another. We want the Prime Minister to declare a new war on waste, but that will not suffice. We shall not save ourselves merely by checking the extravagance of departments. What is needed now is a wholesale reduction of the estimates. By no other means shall we recover stability. It will require immense courage and unflinching determination. It will entail the sacrifice of many radiant schemes for progress. It may mean temporary unpopularity, for a thousand vested interests must be assailed ; but in the long run it should mean the reward of a gratitude not less than has been bestowed upon Mr. Lloyd George for his share in the war.

The first field for attack is the expenditure on the combatant services. I know this will cause a great outcry, but my contention is justified. Apart from the normal requirements of India and some oversea coaling-stations, the British Army was chiefly maintained to assist in countering the military menace of Germany. That menace has ceased to exist, for I do not accept the frequent suggestions that Germany may reappear as a military power in the near future. The British Fleet was kept in being on a great scale to confront

the German naval threat in the North Sea. The German High Sea Fleet has vanished, and what nation would challenge us at sea to-day? In the past we insured against a visible and formidable danger. That danger has disappeared, and as a business nation with a big balance on the wrong side we must cut down our insurance premium proportionately. I suggest that the standing army should be reduced to 150,000 men (including the British garrison of India), which is 88,000 fewer than in 1914; that the personnel of the Royal Navy should be reduced to 60,000, roughly forty per cent. of the immediate pre-war strength; and that the Royal Air Force should number 20,000 of all ranks. In the Air Service, of which I know something, it is possible to provide a personnel of 20,000 men at a cost of not more than £10,000,000 annually. That would give us the finest Air Service in the world, with not fewer than twenty-five squadrons of twenty aeroplanes, each of the latest type, in instant readiness for war; and there would be plenty of money left to build up a fine auxiliary service, similar to the Royal Naval Reserve, from the many civilian airmen and mechanics. These proposals may sound startling, but I hold that they would give us all the security we require. Lest the suggested reduction of the strength of the Royal Navy may cause alarm, I may point out that we very nearly trebled the number of our combatant seamen as a result of the mad rivalry in naval armaments which began in 1889. In 1885 the men of the Royal Navy numbered 57,000. I put forward tentatively these figures for the three services. The true test of this question is whether our own and the other Allied Governments are sincere in their professed desire to relieve the masses from the weight of overwhelming armaments. Is their object to end militarism, not only in Prussia, but in all countries? Are they rendering lip-service to the League of Nations, or do they mean what they say? In this country, at any rate, the question will settle itself. There is one revolt we have not witnessed for a long time past in our history, and that is the revolt of the taxpayer; but it is coming. Now that Germany is prostrate, the nation simply will not consent to toil in order to pay for combatant services beyond our clear requirements.

In the House of Commons on Tuesday [August 12, 1919] some idea of the elaborate peace programmes now being prepared by the Admiralty, the War Office, and the heads

of the Royal Air Force was revealed in a statement by Mr. Churchill. It shows that whatever Ministers say about economy they are really impenitent. Mr. Churchill has apparently given instructions for an Air Force programme which is to cost twenty-five million pounds yearly. This, I may mention, is at least two and a half times the cost of the entire armaments Germany is allowed to maintain under the peace terms. This sum should be promptly reduced to ten million pounds yearly or less. The Army, although no sum was mentioned, will apparently cost well over 100 million pounds yearly. We cannot afford this expenditure. There will be a struggle over this business, but the nation will win, and I trust it will win with Mr. Lloyd George at its head.

It sounds incredible, but it is true, that since the Armistice, in the shipyards devoted partly to the construction and repair of merchant vessels, quite a number of slips have been used in the repairing of warships which, under a sane programme of stringent restriction of armaments, would be thrown on the scrap-heap. The consequent delay in the repair of merchant ships has been considerable, and the enormous freights the country is now paying are partly due to this cause.

Hard-working though they may be, I have no great faith in the capacity of any one of the heads of the great spending departments to effect the overwhelming reductions of expenditure that the urgency of the occasion requires. It is difficult to find a Minister who will risk unpopularity in the service of which he is the civil chief. Yet it is incumbent that men of this type should be found and put in charge of each of the spending departments. Whatever their war records may be, admirals, general officers, and heads of civil departments who think in terms of redundant personnel and circuitous administration should be promptly and politely retired.

Turning now to domestic questions, I would say that if the Prime Minister is to lead a crusade of economy, a modification of the grandiose schemes in which the Government is getting involved must be made in conformation with the existing financial stringency. The dominating factor to-day is lack of funds. Taking our pre-war revenue as a basis, we have spent in five years the equivalent of forty or fifty years' revenue. We cannot begin again where we left off in 1914. We have to repair the ravages caused by war before we can

launch out into huge and costly projects. The word 'reconstruction' is used far too loosely. Instead of merely reconstructing, we have to build up our national life afresh from the foundations. It will be a slow and painful process, conducted amid conditions approximating to national penury. I use the word 'penury' advisedly. It may sound extreme now, but at the end of the financial year it will seem apt enough.

I must again call attention to the monetary side of the Housing Act, which appears to be a striking example of muddled finance. The Government have talked glibly of a million new houses, but are leaving the bulk of the local authorities to raise the funds themselves. Outside a few large centres the local bodies will never get the loans they require on their own credit, and from local sources, as is proposed. I regard the Housing Act in its present form as destined to fail. Mr. Chamberlain says 'the policy is that the houses shall be let at the true, normal, economic rent.' The economic rent of a house costing £700 to £800, with money at its present value and an allowance for depreciation, is not less than 25s. a week. It is not the policy of Dr. Addison, nor is it the policy of the Act, to charge such a rent, except at some distant future which we shall never reach.

Again, I view with disquietude the trend of our expensive educational policy. I am well aware that in quarters which cultivate pedantry my views on this subject may be regarded with scorn, but I say emphatically that there is no special sanctity in educational schemes, and that they must be examined in the light of common sense. As things stand, it is a mistake to keep back the bulk of our youths and girls too long from the paramount task of learning to earn their own living. The knowledge they require to fit themselves for the battle of life is not gained in schools and colleges alone. For the majority of the community there is such a thing as being too long at school. This is the undoubted feeling among the fathers and mothers of the working classes, and it is certainly the conviction of most business men. Aptitude for business or industry is best acquired in the teens, and the plunge should not be too long delayed. The cant argument now used in regard to education is that it is necessary to provide a ladder between the secondary schools and the University. I do not wish to decry Universities, but it is just as well to see what is their present output. Take politics.

Not a single leader of any political party in this country has been to a University. Neither Mr. Lloyd George, Mr. Bonar Law, Sir Donald Maclean, Mr. Adamson, nor Mr. Devlin had a University education. Take journalism. Of the sixteen editors of London morning and evening newspapers only three—Mr. Wickham Steed, Mr. Spender, and Mr. D. M. Sutherland—are University men. There is certainly something quite wrong with our educational system. What it is I am not prepared to say, and I am quite sure the pontiffs of the educational world cannot enlighten us. One thing is unquestionable—quite enough money is spent upon it. It would be interesting to know how much money has been spent by the nation during the last fifty years on Government art classes. Although the school of British painting is at the moment the best in the world, not one of its first-class painters was trained in a Government school. My object in developing this argument is to impress upon the Government the fact that a searching inquiry should be made into the whole of our educational system. A report should be issued giving the subsequent careers of all those students who have won Government scholarships since the inception of popular education. I have no hesitation in stating that the result would be startling.

The field in which the Prime Minister and his colleagues might exercise economy is so spacious as to seem endless. The Post Office is one institution which should be brought back to a paying basis. If the transmission of letters does not pay at $1\frac{1}{2}d.$, the charge should be raised to $2d.$ ¹ That nuisance of country life, the Sunday delivery, should be instantly abolished. If London can do without Sunday letters, so can the provinces. Again, a great saving might be effected by the more rapid sale of Government stores. Any advantage of price gained by slow sales is probably more than counterbalanced by the heavy cost of warehousing and loss of interest, while many of the commodities held back by the Government are badly needed by manufacturers. One of the reasons for the extraordinary congestion in the Port of London and, I presume, of other ports throughout the country, is that the warehouses contain large quantities of useless war stores, which it seems it is no one's business to move or sell. Owing somewhat to this cause, ships are

¹ This has since been done.

being held up in London for weeks, with the consequent loss to the country of a large sum weekly. Not a single new department should be created, and some of the departments and many branches of the administration brought into existence by the war must be swept away. The Ministry of Labour had 4,428 officials when the war began, and last March [1919] the number had increased to 25,777, most of whom had been added since the Armistice.¹ The increase is largely due to the Labour Exchanges, whose uselessness is a byword. The great staple industries of the country obtain their labour through the trade unions, and never dream of consulting the Labour Exchanges, which should be reduced forthwith, or preferably abolished.

Two large questions require early attention. One is the dangerous inflation of the currency. The recent dictum of Lord Cunliffe [since deceased], the ex-Governor of the Bank of England, that the large issues of paper money have not been a contributory cause of high prices, has been very properly rejected in the City. Should the Americans deflate their currency very rapidly, as is possible, exchange will rise against us to an important extent, unless we have meanwhile begun similar steps. The other question concerns agriculture. I find that at present the British farmer is being harassed and badgered to an extent that is almost unbelievable. His grievances are many, but I will only note one. Young inspectors in motor-cars are tearing about the countryside and demanding to see the farmers' wages-sheets. If any man is not being paid the new standard wage the farmer is curtly ordered to put up his wage or dismiss him. Anyone familiar with English country life knows that on many farms old labourers are given odd jobs long after their working prime is over. Under the new dispensation all these must get exemption certificates—which are very difficult to procure—or go. The farmer cannot afford to pay these elderly men a very high wage for a very limited amount of work. The result is that under the cast-iron Government system, and under the pretence of bringing benefits to the rural population, thousands of old labourers are about to be driven into the workhouse. Could there be a more monstrous example of the present feverish craze to make us all the victims of fussy and self-important inspectors from the cradle to the grave?

¹ On April 1, 1921, the total had been reduced to 25,397.

We want less regulation, and not more. In our administrative methods we are becoming more Prussian than the Prussians. The liberties of the individual citizen in this land, which was once the home of freedom, are being submerged beneath an incessant flood of orders and by-laws and dictatorial mandates. Parliament, once the palladium of British liberty, is turned into a foundry where fresh shackles are forged every day. The attempt to perpetuate a long series of the dictates of 'Dora' is a fresh proof of tendencies which are repugnant to every free-born Briton. And in addition to enmeshing us in a network of new laws which no one can either remember or understand, the Government continue to pour out the nation's money with both hands.

The country still has faith in Mr. Lloyd George. Cannot he break himself free from the entanglements which constrain him, and lead our people forward to a fresh battle for relief from the financial oppression of a spendthrift bureaucracy, and for our escape from the menace of national insolvency, which is now looming on the horizon?

THE CONSERVATIVES AND WASTE¹

I now wish to develop the contention that the present Coalition is not a true Coalition at all, but a confused and incomplete amalgamation of parties which conceals the fact that we are really being controlled by a Conservative Government. The word 'Unionist' may be disregarded, for by common consent the new orientation of Irish politics renders it obsolete. The Conservatives are now the real repositories of power, and the dictators of policy. It suits them very well to be camouflaged by a nominal Coalition, which screens them from criticism while enabling them to control all great decisions. The Conservative leaders exercise supreme authority behind the veil. Although the country never realised it, they further exercised practically exclusive and open authority during the first six months of the present disastrous year [1919]. From January to July Mr. Bonar Law was, in everything but name, the Prime Minister of this country, while Mr. Lloyd George, the nominal Prime Minister, was in reality our Minister-Plenipotentiary in Paris.

The day after the Armistice, Mr. McKenna, now unhappily lost to Parliament, warned the Government of the folly of continuing to make, 'at a reduced speed,' munitions which would have to be 'scrapped.' He insisted that it was absolutely vital to shut down all unnecessary expenditure at once, that we could only recover by 'a rapid development of our manufacturing power,' and that the Government could not expect to raise money with the same facility as during the war. His words have proved entirely true, but they fell upon deaf ears. Ministers had an incomparable chance when the new House of Commons met. They had at their back a huge and pliant majority, obviously ready to do anything it was told to do. Why did they not resolutely grip the departments and force them to stop all waste? They never once came to the House of Commons and said: 'We must cut down ruthlessly all round, and at once, or the nation will be ruined. We ask you to support us in the sweeping and instant economies

¹ August 31, 1919.

on which we must insist.' If they had taken this course the House and the country would have stood solidly behind them. Instead they remained silent and inactive until Mr. Chamberlain made his confession about the possibility of national bankruptcy.

The first six months of this year [1919] were perhaps the most critical in all our history. In those months we should have shaped our future and placed our expenditure on a basis which would have led us back to solvency. I know nothing to compare with the spectacle of our Ministers aimlessly floundering in an ocean of debt, never making an effort to get things right, irritated when they were challenged by restive members, and vainly wringing their hands when confronted in the end with the mess they had made. All this time Mr. Lloyd George, after his stupendous exertions throughout the war, was carrying the almost Atlas-load of the negotiations in Paris. From this task it was not possible even for a moment to relax his attention. As a foreign diplomatist of world renown told me in Paris, it was Mr. Lloyd George's personality that dominated the Peace Conference, and when he was away even for a week-end all the negotiations seemed to slip back into uncertainty and chaos. Therefore, it was his colleagues in London, and not the Ministers in Paris, who were responsible for the situation which arose in Northern Russia this summer.

Mr. Winston Churchill stated in the House of Commons on July 29 [1919] that 'in the first week of March the War Cabinet decided that Archangel and Murmansk should be evacuated before another winter set in, and they directed the War Office to make arrangements accordingly.' We know how the 'arrangements' were made. Instead of evacuating, our troops were pushed forward in the hope of effecting a junction with Admiral Koltchak. In the event Koltchak was defeated and pursued into Siberia, and our own troops were driven back.

When the question of future expenditure upon armaments became urgent, quite early in the session, no adequate attempt was made to impose the limitations rendered urgently requisite by changed conditions. In effect the fighting services were left to fix their own standards of strength. Diminutive efforts are now being made to exercise control, but I maintain that while we are ruled by a camouflaged

Conservative Government effective economies in the combatant forces will remain impossible. The reason is that the Coalition is in the grip of the fighting services, which have always maintained close and special relations with the Conservative Party. The services invariably demand expenditure in excess of our national requirements, and, though the face of the earth has been swept clear of our enemies, they still wish us to remain armed to the teeth. The Conservative Party is steadily encompassing its own destruction. In the past it has chiefly relied upon the support of the middle classes, and upon the votes which those classes influence. The middle classes now find themselves threatened with extinction. It is unquestionable that they have been hit harder by the war than any other section of the population. They are furnishing an excessive proportion of the taxes now being squandered. They see very clearly that they are destined to be engulfed in the ocean of the Coalition's extravagance. It is the Conservative element in the Ministry which backs up expeditions in Russia, which wants a huge Air Force and an Army and Navy that we cannot afford to maintain, which paralyses every attempt to introduce a spirit of economy into the Administration. The middle classes know it, and they are changing their allegiance far more rapidly than the Conservative leaders dream of.

I desire to direct attention to the extraordinary species of madness which has thrust most expensive crusades upon our impoverished nation both before and since the Armistice. We have been rushed into wild campaigns under the pressure of the fighting services. Our people, up to their eyes in debt, have had to bear the cost of expeditions which were of doubtful expediency, and, in any case, were only justifiable if all the Allies had shared the consequent drain in manpower and money. Have any of our Allies spent anything approaching such immense sums as we have done upon help to Russia? What possible defence can the Coalition offer for this great after-war extravagance? When we went to war with Germany the whole country approved. The electorate were never consulted about further wars, and have still to give their verdict upon the Archangel aberration. The condition of our finances compels us to abandon the old tradition which made Great Britain the policeman of the world.

It has been announced that our Army of Occupation on the Rhine will be cut down to a single brigade. No corresponding announcement has been made about our galaxy of Wimereux Warriors, with their swarm of Waacs and other feminine legionaries. If after nearly a year the work of salvage in Northern France is not complete, it will probably pay us best to withdraw and demobilise all forces, male and female, now stationed in the former French and Belgian war areas. Let us bring home the balance of our railway rolling stock, sell whatever property remains for what it will fetch, and have an immediate and final evacuation of all our posts in French and Belgian territory. The brigade on the Rhine should become our only military force on foreign soil, except in areas likely to remain under our control for a period not yet determined. These areas should be confined to Palestine and Mesopotamia. We must clear out of Russia, out of the Caucasus, out of Syria, out of other parts of Asia Minor, and out of Turkey in Europe. If the Allies cannot agree upon the peace terms to be imposed upon Turkey, the consequences must fall collectively upon all. The delay in reaching a settlement with Turkey cannot be made a pretext for the special and continued imposition of heavy burdens upon British finances. Any garrison left in Palestine should be cut down to a minimum, and the project for an extensive military occupation of Mesopotamia should be abandoned. The huge programme for the development of Mesopotamia will have to be indefinitely postponed. More than enough British money has been poured into the Tigris and the Euphrates. Our policy should be to add not a single rood of land to our present oversea territories if the cost has to come out of the pockets of the British taxpayer. To what I have already said about the cost of the fighting services, I would add that admirals and generals who have become accustomed to the lavish expenditure of war should not have any voice in big financial decisions in peace-time. I have not the slightest hesitation in advising that the whole of the women's military forces, including the Waacs, the Wrens, the Wrafs, the Women's Legion, and all other bodies of the kind, should be demobilised without further delay. All these women's organisations should cease to exist. They were a war emergency measure, and should disappear with every other expedient specially devised to meet the exigencies of war.

Even now the bulk of the public do not seem to realise that the Government are still [1919] spending £700,000,000 a year on the combatant services, or nearly £2,000,000 a day. When the war began the National Debt represented the equivalent of £16 a head for every man, woman, and child in Great Britain. To-day the figure is £195 a head, and it continues to rise. The Government have made four different and largely contradictory statements about the number of people employed by the Ministry of Munitions alone. Is it surprising that official announcements on this subject have ceased to command any confidence?

The only way to check departmental extravagance, and to restore this country to solvency, is to put every department, civil and military alike, on the anvil, and to hammer each branch down to proportions within the nation's means. If this is not done instantly we may wake up one fine morning and find the Government's credit exhausted. This is not an idle statement. It is a possibility far nearer than the nation realises. Bankers and the Government themselves know the truth. Has the war made the country richer? On the contrary, it has made it immeasurably poorer, yet money is being squandered in a fashion which suggests that the nation has suddenly become possessed of inexhaustible wealth. It is time to realise that printing paper money of all kinds does not imply the creation of fresh wealth, but the very reverse. Even the stacks of this kind of money are not the worst feature of our inflated financial system, for to get to the heart of its rottenness we should have to explore the incessant demands of the Government for banking accommodation.

Do the public understand what national bankruptcy would mean? It would imply the swift closing of all banks; the withholding of all private bank balances; the collapse of the currency; the disappearance of purchasing power on the part of the public; an immediate inability to purchase foodstuffs from the United States and the Argentine and elsewhere; a quick cessation of all industries; the stoppage of all salaries and wages; and resultant chaos in our national life, from which we should never recover. I have heard people talking in a placid and detached kind of way about national bankruptcy, as though they were discussing an eclipse of the moon. They had not the smallest notion that national bankruptcy means national starvation, and worse. The words 'Too Late' were

dramatically used when the war was at its height. I cannot too earnestly urge that unless Mr. Lloyd George attacks his task with all possible speed, he in his turn will find the words 'Too Late' inscribed upon any endeavours he may make. The Prime Minister must get to work with hammer and with axe. Time is vital. No half or quarter measures will do. A deep gangrenous wound cannot be healed by covering it with twopennyworth of sticking-plaster. I suggest that he should make every effort to reduce the national expenditure as nearly as possible to £2,000,000 a day, or, say, £750,000,000 a year. At present we are spending close upon that sum on the combatant services alone. All subsidies should be stopped save, perhaps, the bread subsidy. If it be said that such reductions are impossible, I would reply that it is very doubtful whether, in its present impoverished condition, the nation can continuously raise a sum nearly four times as large as the national revenue before the war. We were rich in 1913. We are carrying an appalling burden of debt to-day. Reductions cease to be impossible when there is no money to pay for Imperialistic gambles.

Mr. Lloyd George has made the mistake of conceiving that the country wants a programme. What the country really wants is a Prime Minister with no programme just now except the ruthless reduction of expenditure, a resolute refusal to create fresh debt, and a determination to lighten instead of increase the burden of taxation. I believe Mr. Lloyd George could still carry the nation with him if he declared that henceforth he would devote himself to the restoration of national solvency. He would have to announce a complete cessation of all foreign crusades, and to insist upon a small Navy and a small Army. He would have to cut away the parasitical bureaucracy which is eating up our national resources. He would be compelled to jettison most of the new and costly domestic reforms, including much of the legislation involving new outlay upon which Parliament has been blindly employed. For him it would be a big breaking-away. The combatant services and their backers would fight to the death. It would be a harder struggle than the war, but he would have the people on his side. Our industrial classes, whose fundamental political sanity is again being proved, are fast coming to understand that reckless Government expenditure, threatening national bankruptcy, will involve them in utter

ruin as quickly as any other section of the community. Mr. Lloyd George might still accomplish this great task of reducing our expenditure within manageable limits, but he will never do it while he remains under the domination of a Conservative Coalition. There is no time to lose. He must soon choose his path, or leave the task for others.

THE GREATEST OF ALL ISSUES¹

THE Prime Minister will return from France and will find the country drifting towards a financial Niagara. Mr. Lloyd George will have to face the great immediate issue of Economy. How much has been done since Parliament adjourned to stop the outpouring of the nation's resources? Has the gross total of our daily expenditure been reduced by even £100,000 a day during the last few weeks? As a matter of fact, recent returns show a further increase of spending, in spite of the florid announcements of economies here and there. The reason why I am once more calling attention to this vital problem is this. I am convinced that there must be a revised Budget statement when Parliament re-assembles. We cannot carry on until next March with Budget estimates which have already been hopelessly falsified; and a revised Budget means the raising of more money by loan or by taxation, probably both. We shall soon find ourselves in a position in which the Government will ask for more money, and will promise economy. That will not do. The nation should insist that the Government must first submit proofs that its actual expenditure is in course of being reduced to proportions which will lead us back to solvency. I hold that the initial blame for the bankruptcy which threatens the nation rests upon the Government, because until they stop wasting upon a tremendous scale private individuals are not likely to stop wasting on a scale which, however big collectively, can only be in each individual instance comparatively minute. The moral effect of Government waste is enormous. Look at the examples of reckless extravagance with which the country is strewn, both in the cities and the rural districts. Every man or woman unnecessarily kept in uniform is an example of Government prodigality, and no town or village is without them. Every improvised office, with its swarm of clerks, every ship which leaves our shores laden with men and munitions for expeditions which ought to have been stopped long ago,

¹ September 14, 1919.

are unconscious incitements to private thriftlessness. While the Government does not economise, the public will not do so.

High taxation is killing thrift. Men and women are ceasing to save for their old age. They say: 'What is the use of saving if ten shillings out of every pound I draw in interest is going to be claimed by the Government?' I have heard this said repeatedly. What should be done? I submit that Ministers should be held responsible for the expenditure of their departments. I am no believer in the policy of placing the financial fate of this country in the hands of three or four subordinate Treasury officials armed with blue pencils. Ministers must fight their own permanent officials, and not leave the battle to Treasury clerks. Any Minister who will not cut down ruthlessly must go. I am not an advocate of either a Big Navy or a Little Navy, but of a Navy just sufficient for our needs, and no more. We shall not get economy at the Admiralty by sending there a fighting admiral, however distinguished. Why are we now in far-greater naval strength in the Mediterranean than we were before the war?

Coal is very scarce. It is going to be scarcer. Yet while fuel for the Navy cost less than four million pounds in the year before the war, I am told that four or five times that sum is being spent on naval fuel this year [1919]. When householders sit in fireless rooms this winter, as many may have to do, will it comfort them to know that our warships are steaming about on useless errands? As for the Royal Air Force, when the war ended there were on all the fighting fronts not more than seventeen hundred active airmen. Although the war has been over nearly twelve months, I believe there are still more than fourteen thousand officers in the Royal Air Force. With regard to other ranks, although young men and women in Air Force uniforms are idling in every part of the country, recruiting sergeants are being employed to obtain new recruits, and they are aided by tempting advertisements. I may also note that the Air Force is advertising for mechanics, although the Admiralty is about to demobilise large numbers of skilled artificers and mechanics. Apparently it has never occurred to the Air Force authorities to ask the Admiralty for a transfer of some of its skilled personnel. The combatant forces alone continue to absorb almost as much money as the nation

is capable of raising annually in time of peace ; yet when I turn to the civilian departments, fresh vistas of extravagance are revealed.

The Government's domestic policy appears to be based upon some imaginary theory that the war was a new landmark of progress. We made no progress in the last five years. We have gone back whole decades. All our legislation should begin by recognising that we have gone back, and cannot even start again where we left off in 1913. The Education and Housing Acts will eventually mean an unbearable addition to the local rates throughout the country. Much of the burden of the houses to be built under the Housing Act will not fall upon the local communities for the first seven years ; but unless we quickly perceive that lower standards of municipal efficiency must suffice for a long time to come, local rates will quickly rise to anything up to another ten shillings in the pound. The Cardross Parish Council has had a demand for £8,951 for education alone, being £815 more than the council raised for all the rates last year. It has refused to impose the rate, and other parish councils are taking the same course. The Row Parish Council is asked for £15,143 for education, as against £6,750 last year. From the Cathcart Parish Council £47,059 is demanded, being £19,559 more than last year. These Scottish cases are typical of the conditions in hundreds of districts all over the kingdom, and the revolt will soon be general. That Scotland, which has always been so eager for education, should now be protesting about its cost, is highly significant. Yet I see in one political programme a proposal for full-time education for all up till the age of eighteen, which would cause consternation in most industries. It must be remembered that there are other huge inflations of local rates, including the higher cost of the police. The local bodies want to make these charges Imperial, but my belief is that the more they are localised the more effective will be the check upon the Government's fantastic extravagance. The cost of new houses should have been locally borne from the outset. The country needs houses, but the present Housing Act is sheer lunacy, as most local communities recognise.

In his apologia for the Ministry of Munitions Mr. Kellaway claimed that certain large 'savings' had been effected

since the Armistice. He did not tell his audience that some of these 'savings' represented obligations which the Government should never have contracted at all, and that their liability was due to the absence of a 'break' clause in the contracts. Under a properly worded 'break' clause, all Government contracts respecting munitions would have come to an end within four weeks of the cessation of hostilities. Mr. Kellaway did not say, moreover, that through the absence of this 'break' clause the Government are compelled to spend within the next eighteen months a further sum of something like £20,000,000 on the enlargement of various private steel works. These extensions were projected for the production of munitions, but though we have had our peace celebrations, the work is being continued and the taxpayer is in the extraordinary position of having to provide many millions of pounds in order to present new and up-to-date steel works to private individuals or limited companies. Parliament should be asked to pass a short Act summarily terminating these contracts, and leaving the question of compensation to arbitrators.

The Ministry of Labour requires a staff of 26,394 people, and is an object of scorn to every trades union in the kingdom. The Labour Minister alleges that the huge increase in his staff is due to the work entailed by the unemployment dole, which is expected to stop very soon. But if his statement is well founded, why is he proposing to construct or acquire prominent buildings in main thoroughfares in provincial centres for use as 'labour exchanges'? Nearly every village in the country can supply its local scandal about the doles. Some are of an amazing nature. I have heard of a woman, discharged from prison several months ago after serving a term for ill-treating her child, who is now receiving an unemployment dole because no one in her neighbourhood will give her work. The Ministry of Pensions costs far too much in comparison with the pensions. Already it employs a staff of 16,480 people,¹ and at this moment is actually commandeering provincial hotels. Manchester and Bristol are reported to be notable victims of this particular kind of activity, and it is understood more are to follow. A Government advertisement for workers at an

¹ On April 1, 1921, the total staff of the Ministry of Pensions was 26,045.

electrical installation says: '£3 18s. for forty hours,' evidently the latest official conception of a working week. There is an intimate link between Government extravagance and the present insistent demands of labour. No Government profligate in expenditure can adequately deal with the pretensions of Mr. Smillie. The spectacle of Ministers scattering the national wealth with both hands acts as a direct incentive to the miners' and other unions to urge forward their present preposterous demands. When Ministers behave as if money were of no value, is it surprising we have the present commotion in the Labour world?

I have asked: 'What will Mr. Lloyd George do?' He must instantly grapple with the immense task of a wholesale reduction of expenditure, or undergo a political eclipse. Plainly he must take as his motto: 'Economy without exception.' Every department is pleading to be saved from the axe, but no branch of the administration can be exempted from the process of ruthless retrenchment. He must further at once appoint another Minister, in whom the people will place implicit trust, to effect a final liquidation of our commitments in Russia.

THE PROBLEM OF NATIONAL SOLVENCY¹

PARLIAMENT meets on Wednesday next [Oct. 22, 1919]. It will have to face a situation almost as serious as any that perplexed it during the war, and it will have the responsibility of decisions that will settle the fate of the inhabitants of these islands for many years to come. Part of the Press and the whole of the public are now roused to the gravity of the state of our national finances, to which I first drew attention nearly three months ago. But, although I have echoed my first warning in several articles since, I cannot yet find any consolatory evidence, in the Prime Minister's Sheffield speeches, or in any other recent Ministerial utterance, that effective reductions are materialising at the fountain-heads of ever-flowing departmental waste. On the contrary, we have accumulated an additional debt of at least £150,000,000 since my first article appeared. What does that mean? Obviously it means that the Government are spending at the rate of not less than £600,000,000 a year more than they receive. It means that they have incurred in two months of peace administration a sum of indebtedness considerably greater than the National Debt of a country like Sweden. It means that, with every day that passes, the dead-weight interest on this debt of ours increases by nearly £120,000. It means—what I have said in every one of my recent articles—that we are drifting towards catastrophe. I confess, too, that I have not been consoled, in these months or weeks, to note that De Keyser's Hotel has been vacated—'with several others'; or that the staff of the Foreign Press Summary has been suppressed, with the Summary itself; or that the 'formal surrender of the Hotel Cecil to the owners will be made in a day or two.' Nor is it sufficient for our anxieties to be assured that this surrender of hotels is being accompanied by the renunciation of a big aerodrome. An impoverished nation is looking for economy with an axe, not with a blue pencil.

¹ October 19, 1919.

It is primarily the business of Parliament to criticise expenditure—a business woefully neglected in recent months. If there is an Autumn Budget it will be the duty of the House of Commons to insist upon retrenchment before it sanctions expenditure—a time-honoured privilege which is a duty as well. That duty must be faithfully performed as soon as the session opens. Thus Mr. Lloyd George will be confronted with a position which will tax to the utmost all his ingenuity and resource when he meets Parliament. He can hardly address himself to a single one of the vast problems at home or abroad now facing him—whether it be Russia, Ireland, housing, education, pensions, or nationalisation—without first considering the financial and economic means whereby he hopes to tackle each or all of these questions at issue. He cannot do anything if he has nothing but debt to do it with.

All our pledges at home, as well as all our commitments abroad, are conditioned by this essential problem of our solvency as a nation. National bankruptcy, about which (as I remarked in a former article) some people talk with an airy indifference prompted by crass ignorance, would sufficiently settle all the rest of our grandiose schemes by suppressing them at the very start. Our financial state, then, must be considered first ; just as, in private life, a man must first look at his passbook before deciding what cheques he proposes to sign for the luxuries he intends to allow himself. What, then, besides the mere trifles I have referred to, remains to be done by Parliament before Christmas ? What are the heroic remedies ?

The first thing for the Government to do is to issue a clear and straightforward statement of our financial position. This will assist realisation of our desperate position in the minds of the public and amongst those responsible for the public money. It will be, as it were, a stimulus to the awakening of the financial conscience. That done, the next step is for the Government to attack the problem of those colossal contracts (referred to in a previous article) whereby the Ministry of Munitions committed the nation to a series of obligations extending far beyond the Peace. The serious blunder was made of omitting a ' break ' clause from these contracts. As a result, we now have to ' carry on ' nearly a year after the Armistice as though we were bent on

the fabrication of munitions of war eternally. I ask again : Is it reasonable or fair that flourishing concerns, abundantly capitalised, should continue to 'bleed' the nation and to add gigantic peace profits to the huge accumulations of war ? Is it reasonable that great engineering enterprises should be extended, and that various private steel works should be enlarged, simply in order that limited companies and private individuals may derive full profit from the letter of the bond made in times of our grievous national need ? I submit that it is not, and I suggest that one of the first things for the Government to do is to bring in a short Bill to enable them to suspend all such contracts—the terms of compensation to be arranged later. If I am told that this solution would involve a breach of the sanctity of contract, I would point out that the sanctity of contract has already been broken by the Government in its Rent Restrictions Act, which bore, with peculiar hardship, not so much upon wealthy landowners, but upon those who had invested their small savings in house property, and were dependent upon them for a livelihood. I would ask what particular sanctity attaches to these monstrous contracts that the Government should be prevented from putting the national interest in front of them ? In any case, huge economies must come. And here, I repeat, is one of them.

My next suggestion relates to the proposed increase in Ministerial salaries. A guarantee should be given at once that Mr. Bonar Law's Bill will not be proceeded with. At the present moment its proposals amount to a public scandal. Mr. Lloyd George should assert his authority and compel its immediate withdrawal. Thirdly, I come to the fantastic Education Act. In conjunction with the crude housing schemes of the Government, it will ultimately plunge numberless local authorities into helpless and hopeless insolvency. Of these two ill-considered Acts, the Housing Act should be drastically amended, the Education Act repealed or suspended by statute.

Let me recall the fact that the Education Act, in particular, was passed during the war, and that the public were quite unaware of its amazing provisions. They did not know then, and probably do not realise now, that the Act withdraws millions of fruitful workers from production, to retain them at school while they absorb meagre information on

abstract subjects, totally removed from the preoccupations and needs of their daily lives. The public does not know, for instance, that in sparsely-populated and other agricultural districts new and vastly expensive central schools are to be established, where young men and women are to be endowed with Superior Culture till the age of eighteen. Ploughboys will learn, not about the land, but about the wives of Henry VIII. Dairymaids will become experts in astronomy, instead of in agriculture.

These schools are to be of a much more 'advanced' and elaborate type than the Board schools, and, naturally, they will demand a 'higher' type of teacher at a largely-increased remuneration. I understand that, in connection with each of them, in agricultural districts, it is intended to establish an elaborate system of motor-cars to bring the ploughboys and dairymaids from the outlying parishes and to take them back to their homes each day. I leave it to be imagined what the cost of this Act will be, and the Government leave it to be imagined also, for nowhere is an estimate officially given of the expenditure certain to be incurred. In view of the high cost of building, the large salaries necessary for the superior type of teacher to be engaged, the motor-car services, etc., some estimates have put the additional cost of education in this country at £40,000,000¹ a year, and perhaps more. Whether they like it or not, the local authorities are compelled to carry out the provisions of this stupendous Act; that is to say, they will be forced into insolvency without even a right to say whether they approve or not.

This brings me at once to the associated question of rates, about which, since I last wrote, the public alarm has been aroused to the point of rebellion and refusal to pay. Take the representative case of a London district—West Ham. There, with a population of 288,000, the rates are already 15s. 7d. in the pound. But this is well before the weight of the increased cost of Police or of the Education and Housing Acts is felt. It therefore requires no prophetic gift to see that West Ham has not yet experienced the real rise in rates that is coming to it. In all probability this unfortunate municipality will be confronted in a few years' time by rates

¹ This is an under-estimate, as will be proved unless more of the provisions of the Act are suspended or dropped.

nearer 30s. than 20s. in the pound.¹ With what result? With the inevitable result that both workers and industries will flee from the district as though it were stricken by the plague. In consequence, immovable industries like railways, docks, and gasworks in such places as West Ham may find that, in the next ten years, they will have to carry the rating burdens of almost the entire district.

In this connection, I cannot help wondering whether Sir Eric Geddes, in the new scale of goods rates he is drawing up for the railways, has taken into account the immense increase in local taxation that will have to be paid by the railways of Great Britain owing to the profligate schemes of the Government. It is this continued extravagance—this inability to square expenditure with income—that is the main source of all our woes at present, including the chief one, which is the higher cost of living. For extravagance leads to continuous credit inflations. These, in turn, mean issues of more and more paper money. As this money falls in value, up goes the price of foodstuffs and other essential commodities. To meet these higher prices, Labour chimes in, and in satisfying its demands the price of everything is again driven up. All comes from the Government's waste. Thus the Government is largely the parent of its own troubles, for it has been engaged in deliberately debasing the currency all along. One day it has to settle and to subdue the discontent it has aroused the day before. It spends half its time patching the rents it has torn with its own fingers.

This fabrication of a Pauper Utopia will be accelerated by the vast armaments apparently bequeathed to us by the 'war to end war.' According to the inspired paragraphs, it is intended that the estimates for the combatant forces (Army, Navy, and Air Force) shall be reduced to £160,000,000 in all. That brings me to the next of my suggested savings, and I am impelled again to emphasise the fact that, by the provisions of the just-concluded Peace Treaty, Germany, who set the European pace in armaments for half a century, is now put into a strait waistcoat, so far as her combatant forces are concerned. She is bound down to an army not exceeding 100,000 men, with something like a dozen small war vessels, the cost all in of which will probably not exceed

¹ The West Ham rates are 24s. 4d. in the pound for the year ending September, 1921.

£10,000,000. Yet the people of these islands are to be burdened with an expenditure nearly sixteen times as great as that of the land they have at last conquered ; though Germany no longer threatens us either by land or at sea !

The British people went to war 'to end war,' and by consequence to diminish armaments. If that was our hope, and not a vain pretence, I again venture to put forward the reasonable figures for our fighting strength. They should be reduced to a Standing Army of 150,000 men ; a personnel for the Navy of 60,000 men ; and a Royal Air Force composed of 20,000 for all ranks. Take the Royal Air Force as we now have it. It is an outstanding example of what a public organisation should not be. A few months before the Armistice I made inquiry, and ascertained that, although the French Air Force had a larger number of fighting airmen on the various war fronts than we had, its total headquarters staff, inclusive of officers, officials, and employees of all grades, amounted to fewer than 250. At that very moment the Royal Air Force had at the Hotel Cecil a staff far beyond 2,000 in numbers. In this were included over 800 officers, a large proportion of whom were young men, fit for active service abroad, who had never heard the explosion of a shell. Efforts are being made to maintain an elaborate organisation which will provide appointments for as many as six high officers holding a rank equal to that of major-general. What are known as area commands—necessary when there was a personnel of something like a quarter of a million—are being continued when the resources of the country cannot possibly afford a force of more than 20,000 men. Yet in the French Air Force the highest officer throughout the war was not equal in rank to a major-general.

After the Armistice a great deal of the activities of the Royal Air Force should have been civilian. It was easy to have pilots trained both for war and peace, with a high proportion of interchangeable machines. Instead, the impress of militarism has been stamped upon it, if possible, more indelibly than was the case throughout the war. The military side absorbs more than 95 per cent. of the money voted by Parliament. Occasionally, I receive communications from the Air Ministry saying that 'replies should be sent' to rooms bearing numbers well over 600. That symptom gives us the measure of the malady. If the Headquarters

of the Air Force occupy any such number of rooms, the necessity for swift reform is imperative.¹

But even the figures I have given as to our fighting forces, I regard as tentative—not as our final establishment. It is my firm belief that, well within the next three years, our financial necessities will compel us to further and very considerable reductions on the figures I have just set forth. Be that as it may, I proceed to my next concrete suggestion for immediate saving. This relates to the complete expropriation of all war profits—a question which should be at once explored. The bulk and the best of our young manhood were torn from their daily work during the war, to serve the nation in its extreme danger. No questions were asked by them. No choice was offered them. This was conscription, and it was a grim necessity. But, in strict justice, this compulsion might have been applied to those whose physical condition, or ingenuity in evasion, while it spared them from the supreme sacrifice and toil of battle, did *not* prevent them from accumulating huge fortunes at the nation's expense—fortunes which they are now engaged in flaunting over the face of the land. These fortunes were acquired without risk of life or health—often by quite young men. There are no doubt plenty of data in the possession of the Inland Revenue authorities to enable these war profits to be assessed before the end of the financial year. If so, let the work begin without delay, for speed is of the essence of the question.²

It is not enough, indeed, for the Government to map out remote tracts of economy for next year or the year after. The situation is so serious that it demands immediate remedies. If Mr. Lloyd George realised the urgency of the case it would even now not be too late for him to save us. But full realisation must precede action and accomplishment. And the object of my brief summary of our appalling financial prospects has been, on the eve of Parliament, to bring realisation to all; but especially to Ministers whose responsibility is as grave to-day as it was during the most extreme perils of the war, won for us by our people's valour and perseverance.

¹ Quite inadequate reductions were afterwards made.

² The opportunity was missed. It is now too late.

THE PERIL OF NATIONAL BANKRUPTCY¹

ON August 7, 1919, in the House of Commons, Mr. Austen Chamberlain, Chancellor of the Exchequer, made the following remarkable statement: 'If we were to continue spending at the rate we are spending now, *it would lead us straight to national bankruptcy*; and there is no doubt whatever about it that if we cannot increase production beyond what we are producing now, we shall go to national bankruptcy. Neither of these things alone—that is, reducing expenditure without increasing production, or increasing production without reducing expenditure—will be sufficient to save the situation.' I doubt whether any Chancellor of the Exchequer has ever uttered a graver announcement. But it made very little impression either upon the House or upon the nation. Two months later the expenditure of the Government was very much the same. Private individuals, many of them demoralised by the easy abundance of paper money, were spending as freely as ever. Production showed no broad sign of increase, and eventually received a staggering check from the great railway strike.

It is not my purpose to enter into the issues of that strike, though in one sense they are by no means foreign to the subject with which I am dealing. But, in watching the discussions about the strike, one thing struck me very much indeed. Nobody on either side, neither Ministers nor the men's leaders, seems to have made any reference to this great peril of national insolvency which overshadows the whole country. The controversy was conducted in the atmosphere of 1913. Mr. Chamberlain's warning, which ought to have been inscribed in letters of fire in both Downing Street and Unity House, as well as in the Transport Ministry, was completely ignored.

One conclusion I have come to is that our whole population has been hypnotised by the widespread prevalence of paper wealth. Mr. Chamberlain has said that 'There is between two or three times as much legal tender money in

¹ December 1, 1919.

the country as there was before the war.' The aggregate amount of legal tender money in the country before the war was £214,000,000. By the end of March, 1919, it had risen to £540,000,000, and it has since expanded,¹ while throughout there has been no corresponding increase in production. The currency notes fill the vision of all and obscure hard economic facts. Men and women who thought much of golden sovereigns and silver half-crowns cannot bring themselves to attach similar importance to paper money, especially when the purchasing power of the unit has simultaneously fallen. We do not take sufficiently into account the unconscious psychological effect of a sudden transition to paper currency among a population chiefly used to the precious metals. It affects all classes. It is one of the root causes of both official and private extravagance. Ministers find in the printing-press an easy expedient for staving off the evil day of reckoning. The public drift into wastefulness because they see with their own eyes that there is 'plenty of money about.' The original issue of currency notes was doubtless inevitable, because they were meant to act as a temporary relief for the banks and to stop the drain of gold. They became an evil when the Government began to use them to tide over financial crises, a pernicious tendency which was quickly reflected in private expenditure.

Need we ever have drifted towards national bankruptcy? This is a very difficult question to answer satisfactorily. It is obvious enough that so huge and costly a war, coupled with a prolonged contraction of many of our normal industries, was bound to impose a dangerous drain upon our resources. It is not so obvious that we need ever have been in the alarming financial plight in which we find ourselves to-day. My view is that a considerable proportion of the waste which went on during the war could and should have been avoided if during the years of peace we had thought as much about the financial side of war as we did about ships and troops and guns. For the appalling waste since the Armistice, much of which still continues, there can be no excuse whatever. I admit that the unprecedented scale and duration of the war could not possibly have been foreseen. Many prominent soldiers, including the principal members of the German Great General Staff, believed that the next war would be

¹ Early in May, 1921, the total was £626,790,500.

short and sharp. Nor was there any previous standard by which we could gauge the eventual cost of the war. Mr. Lloyd George, in introducing his first War Budget in November, 1914, mentioned that the biggest sum Great Britain had ever spent on war in a single year was £71,000,000. In the last year of the Great War we spent a corresponding sum every ten days.

The whole of the Napoleonic wars cost this country £831,000,000, of which rather more than half was raised by taxation; but it has to be remembered that these wars, though to some extent intermittent, were spread over a considerable number of years. The national income at the time of the struggle with Napoleon is estimated to have been about £250,000,000. It was something over £2,200,000,000 when the Great War began; but I deduce that the shock has been far more severe, and the comparative drain upon our resources immeasurably larger than in the more leisurely wars of Pitt's time. At the end of the Napoleonic wars the National Debt was £43 a head. To-day it is over £195 ! There is another factor which is too often overlooked in the constant comparisons between our own time and the conditions of a century ago. It is constantly assumed that because, after the Napoleonic wars, the nineteenth century was eventually marked by a great outburst of commercial and industrial prosperity, we are about to undergo a similar fortunate experience. I can see no justification for this agreeable assumption. Many people seem to think that the industrial development of Britain followed the war with France. This is certainly not the case. The era of mechanical inventions began in the eighteenth century, and Arkwright set up his first spinning-wheel in 1771. The Napoleonic wars interrupted the process of development and caused violent fluctuations and intense suffering among the poor, but when the country gradually settled down after the final peace, expansion of trade and industry was merely resumed, with astonishing results. There seems no prospect of such good fortune now. We were ahead of the rest of the world in the early decades of the nineteenth century. To-day, we take up the broken thread of our trade in the midst of well-equipped competitors.

I revert to the question I have asked—which is, whether our financial economic position need have been so bad as

it unquestionably is. The fact has been disclosed that when the war began we were in possession of a mysterious but invaluable War Book, prepared, I think, by the Imperial General Staff. This War Book set forth plans as to the methods by which we were to go to war if we were challenged. It is said that it was of great service. But I do not gather that this great War Book made any provision for *economy* or for *audit*. I have never heard that the Treasury had a War Book. The soldiers and the seamen wrote down what they would want and what they proposed to do. Nobody ever seems to have made any plan for husbanding our financial resources or for spending our money on war to the best possible advantage and without waste. The one thing no one thought about or cared about was money. It has been pointed out that 'the Fleet was ready, and the Expeditionary Force was ready; the financial machinery was not.'¹ It seems to have been assumed that the national purse was inexhaustible, and that improvised expedients would furnish all our requirements. We have been depending on that fatal assumption ever since.

Lord Kitchener's early warning that the war might last three years was not generally accepted, and was certainly never made the basis of any financial precautions. I recall that some time during that first winter several Ministers cheerfully expressed the opinion that the war might not last so long as was expected. This belief in an early finish, while it helped to maintain public spirit in our dark hours, had disastrous results upon our war expenditure. The disposition to pour out money was never checked, and when we were at length in the full tide of conflict it was probably almost impossible to frame an effective scheme of supervision. I consider that, even allowing for the gravity of the emergency, the Government lent money far too recklessly to certain of our Allies. They were unquestionably influenced by the precedent set by Pitt, who lent money freely to various Continental Powers during the French wars. They forgot that these famous disbursements, which were spread over a good many years, amounted in all to very much less than £100,000,000. Mr. Chamberlain says that up to March last we had lent £1,568,000,000 to our Allies, apart from moderate loans to the Dominions. Particularly would I

¹ Mr. Hartley Withers.

lay stress upon the readiness with which we lent money, or its equivalent, to Russia, whose debt to us amounts to £568,000,000. It is no secret that some of these loans were the result of almost minatory pressure on the part of the former Russian Imperial financial authorities. From first to last we never understood Russia or her military position or her methods of administration. We were so bamboozled by threats that we handed over to Russia sums almost equivalent to the total amount of our Funded Debt on the eve of war.

On the records of specific waste during the war I will not dwell in detail. A corner of the veil, but a corner only, has been lifted by the successive reports of the Select Committee on National Expenditure. If this was the greatest war in history, it was also, in the matter of finance, the most appallingly wasteful war in which we have ever been engaged. I do not hesitate to say that from one-fourth to one-third of the money expended need never have been spent at all. A loyal and patriotic nation laid its possessions without stint and without complaint at the feet of the Government, which spent them with a prodigal disregard of the future. I recognise that it is useless now to express vain regrets over the mistakes of the past. When we turn to the expenditure since the Armistice with Germany, which was concluded on November 11, 1918, the indictment is far graver. In the last seven months of actual hostilities our daily average expenditure was £7,443,000. In the first five months following the Armistice our daily average expenditure was £6,476,000, being a reduction of less than a million daily, although no shot was fired except in obscure and remote areas where our troops should never have gone. In the financial year 1919-20, during the first four months, the average daily expenditure was £4,442,000 against an average daily revenue of £2,335,200, leaving a daily deficit of £2,106,800. These figures were absolutely indefensible.

From the very moment the Armistice was signed a ruthless and sweeping curtailment of expenditure should have been instituted. As a matter of fact, no effective steps were taken at all. Such reductions as occurred were automatically due to the gradual process of demobilisation and the stoppage, also gradual, of the manufacture of munitions. The Prime Minister was away in Paris, his colleagues in the War Cabinet

were absorbed in housing schemes, strikes, and what not, and it seems to have been nobody's business to watch and check the drift towards bankruptcy. The new war departments were in many respects maintained as though war was to be our principal occupation for evermore. Even the anti-aircraft defences were kept going long after the Armistice.

Nothing shows more clearly the indifference of the Ministry to financial problems than the inauguration of a fresh campaign in Northern Russia this year [1919] after the ice melted in the White Sea. I shall make no remark upon the political and military aspects of this unsuccessful enterprise. My only concern here is the question of cost. No soldier of my acquaintance has ever doubted that we could have left Northern Russia in the spring had we desired to do so. The Government admitted in August that they had spent £35,000,000 on military operations in Russia *since the Armistice*, in addition to gifts of munitions and stores amounting to another £33,000,000. The total bill is bound to be very much larger, especially when we include the amount of badly-needed shipping locked up in this foolish undertaking.

In Mesopotamia, last August, we were still spending at a rate acknowledged to be £2,633,000 a month, although I believe the full total was far more. Mesopotamia alone must have cost us at least £50,000,000 in the first nine months after the Armistice, if all the expenditure rightly chargeable to its swamps and deserts is reckoned up.

What is the total amount of the deficit we shall have to face next March [1920] at the end of the financial year? I have seen the figure put at £290,000,000, but I am convinced that it will be a much larger sum.¹ For one thing, I do not find that the substantial receipts from the sale of surplus Government war stores are being fully placed to revenue account. It looks as if part of these receipts is applied to current departmental expenses. In any case, it is plain that the deficit will be huge, and the hint given by Mr. Chamberlain on August 7, regarding 'new taxation' next year only faintly indicates the prospect which lies ahead. Let us, however, take this very low estimate of a deficit of

¹ It was actually £326,000,000, but the true deficit was very much larger, as would have been plain if the proceeds of the sale of war stores had not been placed to revenue account.

£290,000,000 next March. It is almost the exact total sum produced by income-tax and super-tax combined during the financial year 1918-19. There are very few prospective sources of new revenue apart from income-tax. It is also clear, as every tax-collector knows, and as the increasing number of distraints proves, that for the bulk of the middle classes, who form the great army of income-tax payers, the income-tax has almost reached its practical limits. The standard rate of income-tax was 1s. from 1904-05 to 1908-09. It stood at 1s. 2d. from 1909-10 to 1913-14. In the last five years (excluding super-tax) it has jumped to 6s., an increase without parallel in our history. The middle classes can stand no more. They have the same 'right to live' as the rest of the community, and have borne an excessive share of the new burdens. Further taxation will mean their extinction.

The popular alternative suggestion is to 'tax the rich.' I am quite willing to examine this expedient, if it will help to save the nation from the insolvency into which it is drifting. But who are the 'rich'? The incidence of the super-tax shows that in our theory of taxation a person is 'rich' if his or her income exceeds £2,500. A year ago people were 'rich' from the tax-collector's point of view if their incomes exceeded £3,000; and I must take this basis of £3,000 because figures on the lower scale of £2,500 are not available. In 1917-18 the estimated aggregate income of persons in receipt of £3,000 or more annually amounted to £280,000,000. They are already paying out of every pound a sum not less than 6s., ranging up to 10s. 5d. It may be assumed that very nearly half their income goes to the State already. If the whole of the balance of the income of the 'rich' was appropriated by the State, it would not meet half the estimated deficit, which is unquestionably put at too low a figure. The 'rich' cannot save the nation from insolvency.

A deficit of £2,000,000 a day is £730,000,000 a year. To raise this sum by income-tax would necessitate a further increase in taxation by over 250 per cent. Those who are now paying 3s. would pay 10s. 6d. in the pound, and those who pay 6s. would have to pay over 21s. in the pound, or more than the taxpayer receives. To these speculations I may add a paradox. It is notorious among economists that equal division of the total national income would mean

very little change in the present average income, because the larger incomes divided among the immense mass of small incomes would only make a few shillings difference. Such a process, I believe, would have this singular result. If the minimum income-tax limit was about £160, the Government would receive hardly any income-tax at all! I hold, then, that we are not going to get out of the pit the Government have dug for us by any ladder furnished by the income-tax. The bulk of the income-tax is derived from earned incomes, and, in any case, I am convinced that these income-tax payers will flatly refuse to devote half the proceeds of their daily toil to paying for the avoidable extravagances of the State.

Another supposed alternative is a levy on capital. The question of a levy is so complex that it really requires separate treatment. The literature on the subject is becoming voluminous. If we eliminate those writers who obviously advocate a levy, not on its merits, but because they think, quite erroneously, that it would lead to a Socialist state, the verdict of most experts is found to be dead against such a scheme. I believe the majority of men with considerable possessions would honestly welcome a levy if it were practicable (which it is not), and if it would rescue the State from its present plight. My own conclusion is that a levy would probably prove to be the swiftest road to national bankruptcy. Mr. Austen Chamberlain has said that it would be 'disastrous,' and I commend to attention his concise and impartial examination of the question in his last Budget speech. The death duties, which have been again increased this year, already constitute a very substantial levy on capital, effected without disturbance of credit or depreciation of securities. These duties are based upon the amount of the fortune and the degree of relationship of the heir.

I have found, on examination, that hardly any scheme of levy is honestly and sincerely intended simply to relieve taxation. Almost invariably the levy screens some more specious, ulterior motive, aiming at a complete change in the basis of society. Many are advocating a levy on capital without having studied the subject at all. Those who support it with some knowledge of economics are generally 'Pussy-foot' Socialists of an extreme type. The fact is—and it is time we recognised it—that no form of expropriation or

levy or wholesale taxation, to whatever class it may be applied, is going to save the nation from financial disaster. All these expedients, which sound so simple and attractive to the unreflecting, appear on careful analysis to be chiefly destructive in character. Our national fabric has already been severely shaken. The task of the Government is to restore stability, and not to undermine the foundations. The one pre-occupation of our administrators appears to be *how to get more money*. They are keeping themselves financially afloat by 'a gigantic issue of promissory notes resting on the unstable foundation of unproductive expenditure.' The principal duty they now owe to the nation is to discover *how to spend less money*. I leave the private spender out of account, because I am of opinion that private extravagance will not be checked until the Government set an example by instituting the severest economies in public expenditure. They should aim at a maximum average expenditure of £2,000,000 daily, or as little in excess of that sum as possible.

Apart from the service of the Debt and pensions, our money is being to a great extent poured into four immense sieves, represented by: (1) The combatant forces. (2) The outlay we are incurring in former war areas with which we had better cease to meddle. (3) Our enormous bureaucracy, which seems to multiply, instead of diminishing. (4) Our efforts to make a new earth before we have repaired existing defects. On previous occasions I have explained elsewhere my views about the future maintenance of the Navy, the Army, and the Air Force. I adhere to my conviction that all our combatant forces must be reduced much below the pre-war standard for many years to come. In any case, all forms of warfare are in a transitional stage, and large acquisitions of new armaments would be unwise at present.

I view with the utmost alarm the present tendency to extend our Imperial responsibilities in many parts of the globe. Our strength is already over-strained, and we are running the gravest possible risks. We need not be too proud to take warning from the fate of Portugal. The parallel is happily not exact, but Portugal, a small country, wore herself out in vain efforts to maintain her hold upon an immense extent of coastline in distant continents.

Her decline was swifter than her rise, and she sank into insignificance.

To-day we are plunging into new regions and incurring dangers from which our victorious Continental allies, and even the United States, shrink. When I hear that we are building cities and cutting canals and making railways in Mesopotamia, and look at the urgent needs of our own impoverished islands, I sometimes wonder whether the gods have smitten us with the madness which precedes destruction. The Dominions will not help us in these enterprises. Our future lies here, and not in tropical wastes.

In war-time it was said that we stamped armies out of the ground. We simultaneously produced the most amazingly diversified bureaucracy which our country has ever known. The armies are being demobilised, but the bureaucracy remains and multiplies. When its members are dismissed in one place they reappear in another. They eat up our resources like locusts, and we have become the most official-ridden country in the world.

Of the many vast schemes which find shelter under the misleading title of 'social reform,' I shall only say that the initial test should be: Can we afford it? We certainly cannot afford to subsidise houses and railways and mining enterprises and ships, in addition to paying immensely increased charges for all forms of Government service. Nor can we afford the greatly enlarged educational system which was emotionally devised in the midst of the war by people who thought of everything but the cost. The amount annually expended on education when the war began was £19,000,000. This year [1919-20] the Education Estimates (which are likely to be exceeded) reach a total of £41,000,000,¹ equal to more than one-fifth of our whole pre-war expenditure.

¹ The revised Estimates for 1920-21 were just under £46,000,000, in addition to £11,367,451 for Scotland and Ireland. The Estimates for 1921-22 are £51,000,000 for England and Wales, and £12,363,000 for Scotland and Ireland. These sums do not take into account the very large grants to Universities and for research, as well as allotments for museums and picture galleries, nor do they include the immense contributions from local rates. Large amounts are also spent on education by the Army, the Navy, the Board of Agriculture, and other Departments. It is almost impossible to ascertain how much public money is now being spent in the United Kingdom on education.

The door for the higher grades of instruction should be open to all, but only those specially gifted should enter at public charges. Statistics regarding the alarming increase in local taxation are not yet fully available, but the growth of local rates and taxes constitutes a grievous additional burden on all classes, especially the poorer householders. It has been recently contended that 'the growth and extent of local loans is by no means so alarming as is sometimes supposed.' Few ratepayers will acquiesce, and it is beyond question that if we are to regain solvency we must curtail the extent and efficiency of our local public services for many years to come.

It was very truly said by Mr. Chamberlain, in the extract already quoted, that we shall not save the situation by reducing expenditure unless we also increase production. I agree, and would add that the rapidly rising cost of British labour is fast causing our exclusion from foreign markets. Yet I believe our industries might possibly stand the higher cost of labour if there were no other obstacles. The fatal symptom is that as wages rise output diminishes and the quality of workmanship declines, as has been clearly proved. But I have refrained from entering in detail into this aspect of the question, because I am absolutely convinced that the Government must act first. It is almost useless to reproach Labour while the Government wastes the proceeds of Labour's toil. We are a nation exhausted by a terrific war and encumbered by an enormous debt. The debt is increasing, because the waste is not stopped. The exhaustion continues in another form, because our industries are not recovering strength. The root of the whole matter is our financial position, which draws nearer to collapse every day. We are not entering with a long lead upon a new industrial era, as we were a hundred years ago. We are ending an era with diminished resources and powerful rivals in our path.

Instead of explaining to the nation our grave economic position, our statesmen paint pictures of a glowing future, which they know in their hearts must be afar off, while the lesser evangelists of a new dispensation preach the gospel of universal wealth without work. The same characteristics are visible in most other lands, with this difference—that while other Powers are hastily lessening their external respon-

sibilities, we are wildly entering upon new adventures which may bring ruin in their train. *Are we passing into the twilight?* Unless we set our financial house in order, we may soon do so; and should that transformation come to pass, we shall look long and vainly for a fresh dawn of prosperity. Part of the world we knew has collapsed into ruin after a red sunset. We may share the same fate unless Ministers and workmen alike cease dreaming dreams, and face economic facts with clear eyes. This modern civilisation of ours is a very brittle thing, held together by the invisible cement of international credit, which is swiftly disintegrating. In the ancient world civilisations died slowly. The decay of Rome was so gradual that the process took centuries to accomplish. We live in an age when centuries are crowded into a year.

TWELVE POINTS OF POLICY ¹

It is now six weeks since Parliament reassembled after the Autumn Recess. What has been done by the Government during that period towards restoring our national finances to solvency? Practically nothing at all. On the eve of the resumption of the Session I ventured to point out once more the exceptional gravity of the financial outlook. I said that the fate of the inhabitants of these islands for many years to come might depend upon the decisions reached by the Government. I dwelt upon the instant necessity for the most sweeping reductions in the expenditure of all departments, and especially for a clear statement regarding the future strength of our fighting forces. I remarked that vast financial problems confronted the Government, but that I was beginning to doubt whether they were prepared to meet them boldly, and to deal with them on sound and scientific lines.

Before many days had passed these doubts were painfully intensified. Instead of recognising the growing seriousness of the position, the Government took the extraordinary course of declaring in effect that there was no real need for anxiety. Mr. Austen Chamberlain, with a great many 'ifs' and qualifications, receded from his perfectly true declaration, made in August, that if we continue to spend at our present rate we shall drift straight to national bankruptcy. He lulled the apprehensions of the House by expressing the view that it may be possible to avoid fresh taxation, a statement which no one now believes. The credulous House appeared to swallow this assertion. The more thoughtful sections of the public did not do so. It was almost universally condemned and rejected by the Press, and I have never known deeper alarm than exists to-day in circles where the true position is understood. The immediate result of these misleading assurances was that the bureaucracy were stimulated into fresh spending activity. The wholesome process of the reduction of staffs was checked, as the Government

¹ December 7, 1919.

themselves soon discovered to their cost. At the Admiralty, the War Office, and in the Air Force swarms of superfluous officers felt that they had received a new tenure of their posts. Mr. Churchill was compelled to admit a month later that the number of surplus lieutenant-generals and major-generals was still 'very great' and that nothing had been settled regarding their future. The worst effect of such a flippant disregard of realities on the part of the Government is that the illusion of abounding wealth has been quickly accepted by large masses of the community. To that contemptible 'Economy Debate' is traceable the stimulus which led to a fresh orgy of spending and speculation on the part of tens of thousands of private persons who are unfamiliar with finance. Yet none knew better than the Government that the impression conveyed was essentially unsound. As a nation we are farther from solvency than we were six weeks ago.

Since April 1, the appropriate beginning of such a financial year, the Government have spent *nearly a thousand million pounds*. We are running into further debt in the United States, and are not attempting to pay the interest on the vast and dangerous liabilities already incurred across the Atlantic. The Government's levity has been so great that after drawing an optimistic veil over the real situation, they have indulged in new outbursts of extravagance. They have offered a dole of £150 a house to builders, although the right remedy for the housing difficulty is to give private enterprise free play; to recognise that new houses can no more be exempt from the operation of unalterable economic laws than new clothes or new boots; and, as in the past, to confine State aid to localities where poverty is rife and help imperative. I doubt the expediency of the new scheme of 5½ per cent. Local Bonds, and doubt still more whether the plan will prove attractive. In any case it means more borrowing. They have passed an Electricity Act designed to centralise the production of power in selected localities under a single dictator, incidentally violating the principles of democratic control to which they give so much lip-service. They have done this although they know that their scheme is condemned by many of our greatest experts, and although they are aware it will eventually involve the raising of many millions. They are embarking upon fresh schemes of trading,

in defiance of the wise tradition that the Government should not compete with private enterprise, and that Government trading is invariably costly and unprofitable. Apart from stopping the unemployment dole, they have not taken one single big and drastic step towards cutting down the wasteful and extravagant expenditure which is draining the country of its limited resources.

At the present moment we cannot consider our own financial disabilities without also regarding the plight of Europe, which is far worse than our own. Our manufacturers are urged to produce, but production is not of much use unless they sell a large proportion of their commodities abroad. In the past the nations of Europe have been among our best customers. Just now spacious regions of Central Europe are in imminent danger of starvation. They need help, and, above all, credit. Our own position is that we are obtaining food and other commodities from the United States for which, to a great extent, we are unable to pay. In our turn we are supplying Europe with large quantities of commodities for which we are receiving little or no payment, while our American liabilities continue to grow. Every expert knows that the foreign exchanges—the delicate mechanism of international finance—are dangerously near collapse. If they are strained to breaking-point, disaster will overtake the whole civilised world. Mr. Lloyd George recognised the imminence of the danger when he said, little more than a week ago, that nothing but a large international credit would adequately meet the situation in Central Europe; that it was essential that the United States should ‘contribute that part of the expenditure that has to be spent in dollars’; and that representations had been made in Washington to that effect. I agree, but would add that the suggestion thus made within moderate limits may soon have to be far more extensively applied. It is well understood in America that a collapse of credits in Europe would instantly undermine the industrial system of the United States, because the European markets would be closed. But America cannot help Europe unless European Governments, including our own, set their own houses in order; nor is she likely in any case to help for very long. Someone, I forget who, remarked in a speech the other day that he would be willing to assist a struggling business man in diffi-

culties ; but he would not unbutton his pockets if he knew quite well that the man would squander the money at Monte Carlo. That is the position in a nutshell.

The requisite system of international credit on a large scale can only be effectively established when the European Governments cut down their own expenditure to the lowest possible limits. The first and most imperative necessity is a return to national solvency. To that vital end all other considerations must be subordinated. We have to make wholesale reductions in our Imperial and local expenditure such as the country does not yet dream of. That is the point to which I return again and again. Mr. Herbert Hoover, the great American who injured his health in his efforts to feed Europe, wrote a solemn warning which was tucked away in an obscure official publication when it ought to have been placarded throughout the land. In the course of it he said : ' All credits must necessarily be simply an advance against the return of commodities in exchange, and credits will break down the instant that the return of commodities becomes improbable.' Mr. Paul Warburg, one of the greatest of American financial experts, returned to New York after a two months' tour through Western Europe, including this country, and declared that the world is on the verge of ruin and bankruptcy. Mr. Warburg was a partner in one of the leading New York banking houses, and was associated with many important undertakings, when he was summoned by President Wilson in 1914 to join the Federal Reserve Board, a position he retained until the end of 1918. He speaks with authority, though his solemn admonitions have been disregarded in this country. After pointing out that if world bankruptcy and communism are to be avoided the fundamental evils of the continuous increase in prices and the decrease in production must be eradicated, he continues : ' Prices must continue to rise so long as the leading countries spend every year hundreds of millions more than they collect from taxation and cover the resulting deficiencies by issuing additional currency and Treasury bills. The prime driving force is the persistent depreciation of capital by the continuous issue of Government securities and currency for the purpose of covering the deficiencies caused by the excess of current expenditure. It is not possible to stabilise the foreign exchanges

so long as the Government printing presses work overtime in manufacturing new money and Government obligations. To issue Government obligations or currency for the purpose of paying idling men or providing below cost such things as transportation or food, or for covering extravagant military and other expenditure, is an insane business practice that sooner or later must lead to the ruin and bankruptcy of every country indulging in such methods. The first thing to be done is to deflate our ideas. The world lives in a fool's paradise, based upon fictitious wealth, rash promises, and mad illusions. The first step is to prick the bubbles of false promises, and begin by clearing the world balance-sheet of its fictitious assets as far and as fast as we can.'

All these sins are still being committed daily by the Government, and apparently they glory in their folly. I shall not pause to discuss in detail the question of currency inflation, which is the worst form of indirect taxation, because it depreciates the value of money. We shall not find salvation in sheaves of paper notes. Lord d'Abernon said in the House of Lords the other day: 'Most of the great social upheavals in the world's history have been preceded by, or accompanied by, a crisis of prices and a debasement of currency. There is no cause so powerful as this in setting class against class and in sowing suspicion and animosity between those who employ and those who are employed. The French have a saying: "The guillotine follows the money-paper press—the two machines are complementary one to the other." The Russian Revolution was nurtured in currency debasement.' Yet there are some among us, who ought so know better, who still think otherwise. They deny that the flood of paper money has anything to do with the inflation of prices. Such delusions invariably recur during a period of currency inflation following war. There was so great a demand for currency inflation in the United States in 1874 that Congress, in a panic, actually passed an 'Inflation Act'; but it was vetoed by President Grant.

As to the supremely vital question of production, I cannot see how this country is to regain solid prosperity, and to recover and expand the export trade upon which we depend for so large a portion of our food supply, if there is to be a progressive reduction of the general hours of work, coupled with a very perceptible limitation of effort. The way to

save the country is certainly not by working less, as so many Labour leaders seem to suggest. One of the most disquieting aspects of the Labour situation is the attempt to extend the eight-hours' day to agriculture. The movement for reducing the hours of labour on the land is not confined to Great Britain, but is even more marked on the American continent and in Australia. If persisted in it will lead to *world starvation*, for the conditions of mill and factory work cannot be applied to agriculture. In no country is the eight-hours day for agriculture more dangerous than in Great Britain. It is imperative that our limited acreage should produce as much food as possible, because the time is coming when we may more than ever have to suffice unto ourselves in this respect. We shall find it difficult, in any case, to buy food abroad if our export trade is not greatly increased. We may find it impossible to import food at all, if the agricultural workers in great food-producing countries so reduce their hours of labour as to leave no surplus food for export. Agricultural machinery, however much developed, can only partly make good the reluctance of labour to do a full day's work.

The issues I have attempted to put forward are of such transcendent importance to the nation that I marvel when I observe the House of Commons discussing the future control of the Air Force, or the House of Lords debating whether clergymen should sit in Parliament. These are relative trivialities. The one tremendous and overwhelming question which matters to this country to-day is whether we are to recover solvency—a condition which can only be attained by stopping, not only waste, but a good deal of expenditure which to most may still seem necessary. If we do not do so, the sure and certain consequence will be not only national bankruptcy, but semi-starvation.

Before I pass to certain practical suggestions there are two other points on which I desire to touch. The first relates to the deceptions of history. Many comfort themselves with the thought that because a great outburst of prosperity followed the Napoleonic wars, we shall undergo a like experience now. On previous occasions I have explained that we then had a long lead in the 'industrial revolution,' which cannot again occur. It remains to be added that during the first half of the nineteenth century a vast amount of employment was provided by the introduction and con-

struction of railways. At one time there were more people working on railway construction than were employed in all the mills and factories in England. The second point is that the attitude of the whole population, including the industrial classes, was vastly different at the end of the Napoleonic wars. The Governments of those days did not drug the imagination of the people with spacious and illusory paper schemes by which everybody was to attain leisured happiness without toil. The whole secret of Britain's recovery after Waterloo lies in Professor Marshall's statement, that '*men worked hard and lived sparsely.*'

Jean Baptiste Say, the great French economist, who was sent in 1816 by the French Government to study the economic condition of England at the close of these wars, marvelled at 'the intense, restless industry of all classes of Englishmen.' He said: 'Everybody runs, absorbed in his own affairs. Those who allow themselves the smallest relaxation from their labours are promptly overtaken by ruin.' He explained the hardness of life by estimating that 'the Government had consumed one-half of the produce of the soil, the capital and the industry of the English people.' Have they not done exactly the same to-day, and is not the process still going on ?

Among the steps I consider necessary in order to bring about the change of policy which is now imperative are the following: (1) The gradual deflation of the currency, which would be almost automatic if our present national expenditure was reduced by one-third or one-half. (2) Sweeping reductions in the strength of the Navy, the Army, and the Air Force. (3) The instant stoppage of all foreign military or administrative adventures, and a wholesale curtailment of our commitments in Mesopotamia, a country singularly destitute of any natural frontier. In past ages nation after nation, not excepting Rome, wore themselves out in that inhospitable land. The Emperor Julian met with irreparable disaster in the very region where our troops were recently operating. Such may yet be our fate also. (4) The liberalising of the institutions of our oversea dependencies, India and Egypt, must not be allowed to weaken that strong and firm guardianship which it is necessary for us to maintain in the interests of the peoples themselves. The present troubles are ominous. The French have no

such difficulties in Indo-China or in Algeria and Tunis. We seem to be losing the secret of governing subject races, which the French have retained. Our Allies recruited during the war 900,000 troops on the African continent, while we were too timorous to employ even the Egyptian Army. (5) The stoppage of all doles and subsidies except (for the present) the bread subsidy. Rome was ruined by doles. (6) The suspension, until more favourable times, of many of the provisions of the new Education Act. (7) A complete reconsideration of the housing problem on the basis of the release of private enterprise. The occupants of all new houses should pay economic rents from the outset, except in specially needy areas. (8) A rigid supervision and curtailment of local expenditure. (9) Propaganda on the question of production, in full co-operation with the leaders of Labour. (10) The complete abolition of Labour Exchanges. (11) A careful examination of the machinery of the Ministry of Pensions, with ample safeguards for the pensioners themselves. (12) A thorough and ruthless investigation of the personnel of every branch of the bureaucracy, Imperial and local, and an examination of the duties performed, with a view to a very large reduction in the staffs. This is one of the greatest needs of all. Better to suffer some loss of efficiency than to become bankrupt.

NO MORE ASIATIC GAMBLES ¹

It is much to be regretted that a great dispute has arisen in Great Britain on the question of the future of Constantinople. We have other and far more urgent matters to think about just now. Our chief difficulties are domestic and financial. I suggest that it is misleading to discuss the matter upon the basis of Constantinople alone. We must take into account the whole of the lands which in 1914 constituted the Turkish Empire. The Supreme Allied Council has, however, already agreed that the Turkish Government is to remain in Constantinople, and this issue has been settled as a thing apart. I am of opinion that the decision of the Supreme Council is right, and that the agitation now being organised against it is both misguided and dangerous. If it is reversed it will bring the Western Allies into conflict with the greater portion of the Mohammedan world. Much of the debate in the House of Commons on Thursday [February 26, 1920] was unreal, because many speakers disregarded the actual present position. We have to deal with this problem as it exists to-day, particularly in India, and not as it was five or ten or twenty years ago. Time spent over disputes about what was or was not said during the war is time wasted. Events are moving so fast, and conditions are changing so quickly, that years are crowded into each month.

A ridiculous allegation brought against the policy of the Supreme Council regarding Constantinople is that it is inspired by financiers. What does it matter to these mysterious financiers, whoever they may be, whether the Turkish Government stays in its capital or not? Turkish rule is ended in the Balkans, and concession-hunters can only hope for success in Asia Minor. If the trail of finance is visible anywhere, it is far more visible in Mesopotamia. Another contention is that the Turkish conspirators who led Turkey into war may again seize power in the capital. My informa-

¹ February 29, 1920. This article was written before Mustapha Kemal Pasha and the Turkish Nationalists had definitely seized the interior of Asia Minor.

tion is that they already exercise great power there ; but the obvious answer must be that they will be far more dangerous if they are put inside a ring fence in Asia Minor. It is purposeless to discuss the historical arguments by which this agitation is reinforced. The Turks have held Constantinople since 1453, which is hundreds of years before British rule was established in India. If we are to go into questions of ancient title, there is no Power in the world to-day which could justify its present possessions. Then there is the grave question of Turkish oppression of other nationalities. It ought to be obvious to every sensible man that we shall be much better able to stop massacres if we have the Turkish Government under the guns of our ships than if we exile them to some inland city in Asia Minor. On the other hand, if we intern them in some interior place, give them no Mediterranean port, deny them access to the world without, and leave them to brood over their enforced isolation, we must be prepared for angry retaliation on their part. We should keep the Turks where we can maintain contact with them. They will be beyond our reach if we force them into the wilds of Asia Minor.

The financial aspect of the problem does not bear examination. The agitators do not propose to expel the Turkish population from Constantinople and its vicinity, but only the Turkish Government. The Allies will then have to garrison Constantinople and a great deal of country behind it in perpetuity. If they do not do so, the city may soon fall a prey to covetous neighbours. The brunt of the task will, as usual, fall upon this country. Are the British taxpayers prepared to find the money? Turkey has already lost her Arabian possessions, together with Palestine and Syria and Mesopotamia. It is generally agreed that her three easternmost provinces in Asia Minor must be made into an Armenian State, of which Erzerum will be the principal city. It is also thought that perhaps Cilicia, the home of many Armenians, may be separated from Turkey.¹ No other Power, except possibly Austria, has suffered such losses. If in addition the Turkish Government are to be deprived of their capital, and of extensive areas on the coast of Asia Minor, what will be their answer? We shall be confronted with intermittent warfare.

¹ Cilicia will now probably be handed back.

We must further consider the effect of these dramatic deprivations upon the rest of the Mohammedan world. By the bulk of Mohammedans the Sultan of Turkey is regarded as possessing spiritual as well as temporal powers. The majority of Mohammedans do undoubtedly hold that the Sultan is Caliph and the spiritual head of their faith. Any excessively harsh treatment of the Sultan and his Government will be bitterly resented by most Mohammedan communities. The real truth seems to be, however, that most Mohammedans mix up temporal and spiritual factors. They think much of the past glories of their faith and they regard Turkey as the last great Mohammedan Power. To them Istantbul (Constantinople) is the last visible symbol of the former greatness of the Mohammedan peoples. Its loss will be an affront which will stir them to their depths. We hear much about the feeling of the seventy millions of Indian Mohammedans on this question. I am not competent to express a personal opinion on the Indian aspect of the problem, but I have consulted various people who are familiar with it. I find two things. They all agree that twenty or thirty years ago Indian Mohammedans thought very little about the Sultan or about Turkey ; but they all unite in adding that the situation has entirely changed, and that, as a natural consequence of the decline of the temporal power of Mohammedan peoples, the thinking men amongst those seventy millions in India are deeply concerned about the fate of Turkey. Some go so far as to say that if we press Turkey too hard we shall have grave trouble in India. Is it worth while to run this stupendous risk, when policy and prudence alike point in the opposite direction ?

As to Palestine, my views are clear and simple. The Government have no right whatever to pledge the money of the British taxpayer to build up a Zionist Palestine, or to enlist British troops to hold that country for the Jews of all the world. Palestine should be handed over to the Jews, and the Jewish communities in all countries, who possess so large a share of the world's wealth, should be asked to pay for its administration and defence. British interests stop short at the Suez Canal and the peninsula of Sinai. Why should the people of these impoverished islands be taxed in perpetuity to control and guard the lost land of the Jews, most of whom would never dream of going near Palestine ?

With regard to Mesopotamia, I am astonished at the careless levity with which the Government propose to assume charge of that enormous region, at a time when our Budgets indicate semi-insolvency. We are invited by the Government to enter into possession of these vast areas and to create a frontier in mountain ranges far more inaccessible than the hills on the north-west frontier of India. Our outposts in Northern Kurdistan will be between seven and eight hundred miles from the sea. They will be far nearer the Black Sea than the Persian Gulf, and they will be holding a line in the midst of warlike and hostile Kurdish tribes, with the Turks also able to swoop down upon them. To a Secretary for War who supported the eccentric idea of invading Russia from the North Pole, such a military occupation may seem feasible enough. To most men of commonsense, and to all the taxpayers who have to find the money, the proposal suggests madness. We have sacrificed many thousands of lives, and sunk hundreds of millions of money, in our disastrous adventure in Mesopotamia. We ought never to have gone into the interior at all. The only wise course now is to evacuate Mesopotamia altogether. We should leave the local Arabs to build up an administration of their own, possibly with the advice and assistance of a few British officials. If we hold the port of Basra and the delta of the Tigris and Euphrates, we shall sufficiently safeguard our interests in the Persian Gulf. The sea is our element, and in the Middle East we should never go far from tidal waters. I have said that the trail of finance, if visible anywhere, is visible in Mesopotamia. Are we staying there for the sake of the population or is oil the real lure? Our first duty is to our people at home. I hear of various companies with a Mesopotamian flavour. The Government are not entitled to ask British and Indian troops to garrison Mesopotamia and to expect the taxpayers to foot the bill, in order that companies may flourish. The only fair course is to tell the companies to protect themselves, and to pay the cost out of their profits.

One thing very little realised is that these Middle Eastern adventures are one of the causes of high prices. As they have to be paid for by the British Exchequer in Indian currency, they drive up the cost of certain staple articles of food, including tea, sugar, and rice, as well as of other

commodities ; and in years when India can export wheat it will be very costly. This is a question for housewives as well as for emotional politicians. To meet the cost of our Mesopotamian activities, which are paid for in rupees, the British Exchequer has to buy rupees on a huge scale, with the result that one sovereign can only buy *ten* rupees to-day instead of fifteen a short time ago.¹

Mr. Winston Churchill says that we have 23,000 troops in Palestine, and 61,000 in Mesopotamia.² If he can reduce these garrisons by half this year their total cost will be £37,000,000 exclusive of the outlay on the civil administration, and also of naval charges, and presumably Air Force expenditure. No one knows better than Mr. Churchill that under present conditions these garrisons cannot be reduced. I venture to predict with some confidence that our military and civil expenditure in these two regions will exceed £100,000,000 this year.³ To what end, save the gratification of a false Imperialism and the enrichment of a few commercial enterprises ?

Meanwhile we are incurring various mysterious responsibilities in Persia. We have 'a brigade or so' in North-West Persia, no one knows why. We are sending large numbers of officers and non-commissioned officers to create a Persian Army. We are lending money to Persia. Is it realised whither this Persian policy is leading us ? The effect of the new Persian Agreement is to make us morally responsible for the defence of that country, even though no specific obligation has been signed.⁴ The Bolsheviks hold the whole northern frontier of Persia east of the Caspian. I have seen it stated that they even have aeroplanes on the line of the Central Asian Railway. What shall we do if the Bolsheviks attempt to enter Persia ?

We want no more Asiatic gambles. We have one great

¹ The exchange value of the rupee fell rapidly during 1920, and in May, 1921, it was below 1s. 4d.

² On April 1, 1921, we had 76,900 troops in Mesopotamia, 7,700 in Palestine, 9,350 in Constantinople and Asiatic Turkey, and 18,030 in Egypt, all outside the British Empire.

³ This was a considerable over-estimate, but the exact total is a matter for controversy.

⁴ In March, 1921, it was officially admitted that the Persian Agreement had lapsed, owing to the failure of the Mejliss to ratify it.

Asiatic Empire. We do not need another, for which the British taxpayer would have to maintain great armies and disburse vast sums every year. India paid her own way from the beginning. We found in India a revenue system ready-made. In these new and dangerous undertakings we are trying to make a new Empire out of derelict lands. We are groping amid the wreckage of Empires which perished thousands of years ago. The people of these islands on the verge of the Atlantic cannot shoulder the burden of controlling half the world. Our responsibilities are already intolerable; our taxation has reached its limit; we are weighed down by our load of debt. If we plunge into these arid deserts we shall soon make our own land a desert also.

When I look upon the map and survey the immensity of our undertakings in tropical and sub-tropical countries, especially in Africa, I am appalled at the blind rashness of our rulers. Are there none in need of succour at home, no slums to rebuild, no grinding poverty to alleviate, that we should go throwing hundreds of millions away upon peoples who in their hearts resent our intrusion, and suspect our motives? We are suffering from what has been called 'territorial inflation.' We must limit and reduce our commitments. It is computed in some quarters that this year our military expenditure alone, including the cost of the Air Force and of the various little expeditions which are constantly occurring, is likely to exceed £200,000,000. Mr. Churchill has begun by asking for £125,000,000 for the Army and talks of £25,000,000 for the Air Force. The taxpayer, already crushed by high prices and enormous taxation, will not stand it. The only safe policy for this country is to leave the Turks in Constantinople and to withdraw from lands in the Middle East where we cannot afford to remain. There must be no foundation for the suggestion now being made that the motive in one or two of these undertakings has not been the welfare of subject races, but economic gain at the taxpayers' expense.

THE COALITION'S RECORD ¹

THE political situation in Great Britain is becoming healthier because it is regaining balance. If we have not yet got the powerful Opposition which our system requires, it can at least be said that the House of Commons is slowly reasserting its authority. The tension of last year is relaxed, and there seems to be a general disposition to face in a more reasonable spirit the formidable difficulties which still confront us. The Coalition is deriving some benefit from the clearing of the atmosphere. It is losing less ground. Constituencies have of late dealt the Government hard knocks (which were well deserved) by way of warning and reproof; but to me it seems that there is also a disposition not to let the process of chastisement go too far, lest worse befall. From this frame of mind the Government still derive their stability, but they must not presume upon it, as they did last year. If I were asked to set aside for a moment the grievances of prodigal finance, with their inevitable consequence of high prices, and to put into a sentence the preponderating feeling of the nation at this juncture, I would state it thus: 'We have won the greatest of wars and saved our homes from ruin, and we are not going to let the country be wrecked after attaining a victorious peace.' I believe this to be the attitude of most Britons when they are confronted with appeals to turn our land into a political laboratory in order to test the discredited theories of Karl Marx. The industrial enslavement of Russia has become a tremendous warning. It must also be said that in spite of the attacks upon Mr. Lloyd George—and I have myself not been sparing in criticism upon occasion—his vigorous leadership remains an incomparable asset for the Government. He is the cement which binds the Coalition. Without him it would quickly collapse, for no other Minister could replace him in the public eye. My impression is that Mr. Lloyd George still possesses a very great *personal* following throughout the country. I attribute his popularity, which remains undoubted, to the general recognition of the great

¹ March 14, 1920.

and dominating part he played in the later years of the war, especially in the matter of unity of command. He held the Allies together, just as later he held the Peace Conference together. But it is the misfortune of the Coalition that, largely at the bidding of one or two ambitious Ministers, it has wasted the nation's money and plunged into Imperialistic adventures which have brought, and will continue to bring, nothing but tribulation. Its errors and its squandering have obscured from sight the many things it has done really well.

The greatest service rendered by the Government since the last general election is that they have held the country together. We have been through some anxious times in the last fifteen months, and if we have escaped disaster the credit is very largely due to the skilful and cautious handling of a series of domestic crises by the Government. I should say—to give another example—that the gigantic work of demobilisation was done with extraordinary smoothness and success. There was much grumbling at first, but in the end it was plain the Government had tackled an unprecedented task with remarkable skill. I wish they had disposed of the surplus war stores with the promptitude they showed in enabling the bulk of our soldiers and seamen to return to civil life. Again, I am among those who hold that the Prime Minister did uncommonly well at the Peace Conference. No one, not even its makers, claims that the Treaty of Versailles is a perfect instrument. Possibly it may require revision, possibly it erred on the side of severity; but the marvel to me was that, amid so many conflicting interests, any agreement was reached at all. It is universally recognised that it was only through the moderating influence of the British delegation that unanimity was at length attained.

It may fairly be said, too, that the Government have handled our industrial troubles with firmness and prudence. They grappled the railway strike last autumn with resolute determination, because they had the public at their backs; but their real triumph was that they effected a settlement which left behind it no sting and no bad feeling. In their emphatic opposition to schemes for the nationalisation of the coal mines and other great industries, the Government have undoubtedly reflected the popular view. They have met with an undaunted front all wild threats of 'direct action.' While treating the justifiable claims of Labour with generous

consideration, they have never yielded to the more importunate demands of Revolutionary Socialists like Mr. Smillie, Mr. Hodges, and Mr. Robert Williams. It is beyond doubt that the ringing challenge of Mr. Lloyd George in his great speech upon industrial nationalisation when Parliament reassembled helped to restore stability to the Coalition. His repudiation of further military expeditions in Russia, belated though it was, meanwhile assuaged the justifiable apprehensions of those who regarded the Russian enterprise with profound disapproval.

The Government's administration of the food supplies is another phase of their activities which has been conspicuously able. I am referring to their system of rationing and internal distribution last year, and not to their methods of purchase overseas, or their handling of ship freights. They may have bought unwisely at times, and they certainly seem to have got into a muddle at the ports ; but no one has ever questioned the triumphant success of their system of individual rationing, now happily reduced to small limits. Great Britain is the only belligerent country which carried through without a hitch, and with a minimum of public inconvenience, a huge system of rationing.

Though the public saw little of it, the work of the Ministry of Shipping was a branch of war organisation which was admirably devised and controlled. Sir Joseph Maclay and Colonel Leslie Wilson, M.P., had to tackle a very complex problem, and we have every reason to be satisfied with their record. In many other respects the work of the Government since the Armistice will bear the test of close examination. The way they have fostered a general resumption of peace industries has never been properly acknowledged, although it is primarily owing to the influence of the Government that the nation passed so quietly and imperceptibly from the occupations of war to normal peace vocations. With all their faults, no one can say that the present Government have been weak. The trouble with them has been that they have been too conscious of their strength. They were so strong and so secure that for a considerable time they disregarded the authority of Parliament and ignored public opinion. It was probably the very strength of the Government which led to all the amazing waste and the reckless financial policy which I have so frequently condemned. Both the bureau-

cracy and various Ministers proceeded to act upon the assumption that war standards of expenditure might be indefinitely continued, and that the sole duty of the nation was to pay without protest.

I do not share in the jubilation over the increase in the revenue returns as the end of the financial year approaches. I prefer to remember how much of this revenue will go in payments which represent mere useless extravagance. No Budget can be considered satisfactory in which the big sums accruing from the sale of surplus war stores are used to reduce a current deficiency instead of being applied to the reduction of debt. The Government still think only of revenue. Their attention is concentrated upon raising money instead of upon cutting down waste. The recent protest of the House of Commons against the application of the 'guillotine' to the debates in Committee of Supply upon the Estimates is a welcome sign of revolt, but will it lead to a reduction of expenditure? I doubt it. A committee of private members is to settle the time to be allotted to the various Estimates. Well and good, but what the public want is not talk, but an axe effectively at work. I have been looking at the Civil Service Supplementary Estimates upon which issue was joined. They amount to £28,432,000, and are in addition to previous Supplementary Estimates under this head reaching a total of £37,000,000. The new demand bristles with items which require the closest investigation.

We were told that all departments had been ordered to cut down their staffs 'ruthlessly.' I find that these Estimates provided for additions to the staffs of the Treasury; Official History of the War; Paymaster-General's Office; Passport Department; Oversea Settlement Office; Mercantile Marine Survey; Civil Service Commission; Registrar-General's Office; Office of Public Works (£105,000 *additional*); Irish Secretary's Office; Land Registry; Public Trustee; Reformatory Schools; Register House, Edinburgh; and Customs and Excise. Instead of being reduced our bureaucracy is continually being expanded. Then the House is asked to find £199,000 to make good the cost of administering the entirely worthless country of Somaliland, upon which we have already thrown away many millions. I have heard that we originally occupied Somaliland to obtain fresh beef and mutton for the Aden garrison. It is the most expensive butcher's

shop on record.' Edmund Burke summed up the requirements of a member of Parliament in one pregnant sentence: 'A man after all would do more by figures of arithmetic than by figures of rhetoric.' Let us hope that these words will be in the minds of members when they sit in Committee of Supply.

Wherever one turns one finds fresh proofs of waste. As an example of the way in which administrative expenses are allowed to grow without attracting the notice either of Parliament or the general public, I may direct attention to the new and widespread, and apparently costly, practice of appointing 'local advisory committees.' The 'new bureaucracy' is very fond of these committees, and often takes shelter behind them. The worst offender is, as usual, the Ministry of Labour, which has appointed an undisclosed number of 'local advisory committees.' The members of these committees are said to be 'entitled to the actual wages lost' up to a maximum of £1 per day. I should have thought that with a staff of over 20,000, and palatial buildings going up all over the country, the Ministry of Labour is in no need of expensive 'local advisory committees.' The Pensions Ministry also has an extraordinary number of 'Local War Pensions Committees,' whose members are paid 1s. per hour for 'time lost.' Being evidently determined not to be outdone by the Labour Ministry, the Pensions Minister is about to 'revise the scale of payment' of his local committees.

This craze for paid advisory committees is spreading. Under the coalminers' scheme of nationalisation of the coal mines there were to be 'pit committees' amounting to a total of 30,000 members, all of whom, we are told, were to be 'paid and paid well.' There were also to be fourteen paid District Mining Councils of twenty-one members each, a large paid National Mining Council and a Ministry of Mines, with an extensive staff in addition. One or two small advisory committees may not cost very much, but multiply them by thousands, scatter them all over the country, introduce them needlessly into many departments, and you begin to perceive a contributory cause of big Budgets. The Government should stop the little leaks as well as the big ones.

Meanwhile the burden of the local rates causes intense anxiety to householders. In many cities and towns the municipal trading departments, such as tramways, gas, electric light and water undertakings, are showing a loss where they

used to make a profit, which went in relief of the rates. The city of Birmingham, which is managed with very high efficiency, is a notable example. Before the war the rates in Birmingham amounted to 9s. in the pound. They are now 17s., having jumped 5s. this year.¹ Leeds is in even worse case, for the rates in that city are now 19s. 3d. in the pound. There should be an inquiry without delay into the whole question of the appalling rise of local expenditure. The growth of local rates is one of the factors which is quickly turning us into a debt-soaked country.

I have long been convinced that if the Coalition is undermined it will be through its failure to reduce both Imperial and local expenditure. Mr. Lloyd George should take warning by the fate of M. Clemenceau. Like himself, M. Clemenceau played a memorable part in winning the war; but he also resembled our Prime Minister in that, both in war and peace, he was entirely indifferent to financial considerations. The reason why M. Clemenceau is not President of the French Republic to-day is no secret. Political rivalries had little to do with the Senate's choice. M. Clemenceau was not chosen because those responsible felt, to their deep regret, that 'so long as he was either President or Premier no great financial economies would be effected in French administration after the war.' Mr. Lloyd George's greatest danger is that a similar view concerning himself may become the settled conviction of the electors of this country, in which case even his magnificent past services will not save him from permanent relegation to outer darkness.

¹ Birmingham, having seen her rates rise to 18s., has now insisted that they shall not exceed that sum.

SOLVENCY OR DOWNFALL? ¹

FINANCIALLY we are still at war, although the fact is not generally realised. Victory was not finally attained when the Allied Armies drove the Germans headlong in the autumn of 1918. No nation which is running the risk of financial collapse as a consequence of the war can claim to have been victorious. Finance is an essential factor in war, and at present it is doubtful whether financially we are going to win the war at all. We can take the great landmarks of the actual fighting in the field, and draw a parallel with our slow progress in the financial struggle. The Armistice may be reckoned to be equivalent to the First Battle of Ypres, from the point of view of war finance. We had cut things very fine, but had just managed, under a tremendous strain, to hold our own. We had our financial battle of Loos last summer and autumn, when the Government loquaciously but vainly tried to tackle the problem of the floating debt. We are now entering upon the Somme period, and Lord Haig had a far more promising outlook in that memorable month of July 1916 than now confronts the Chancellor of the Exchequer. As for the period of the Hindenburg line, Mr. Chamberlain is nowhere near it yet. It will be reached when we are facing the question: *Solvency or Downfall?* Those are the two alternatives which we shall eventually have to consider.

It is sometimes said that there is an historical precedent for everything which occurs, but I know of no precedent for the recklessness with which every nation in Europe is refusing to recognise the possibility of general bankruptcy. Expenditure, both Government and private, continues on the most lavish scale. Estimates are framed, not only in our own country, but in all European countries, in a spirit which suggests that Europe has had some wondrous accession of wealth instead of having largely destroyed her possessions and her productivity. So inverted has the process of reasoning become that one group among us positively reckons our War Debt as an asset! Not one State, old or new, is honestly

¹ April 18, 1920.

trying to get back to sound finance. Our external policy shows signs of the dementia which prevails everywhere. While France is entering upon enterprises in Syria, which must prove enormously costly ; while Greece is avowedly ready to march into the interior of Asia Minor and simultaneously to keep the Bulgars out of Thrace ; while Poland, with an empty cashbox, is maintaining her troops in territories far beyond her natural frontiers, we are certainly not setting a better example.

Because there have been deplorable massacres of Armenians in Cilicia, we have thought it a profound master stroke to occupy Constantinople. At the present time this is very much like seizing Spitzbergen in order to stop cannibalism in the forests of West Africa. For the time being Constantinople exerts no authority over the most distant districts of the new Turkish dominions. Our exploit, whatever might be the effect when order is restored, has not so far helped the Armenians, and meanwhile we are destined to realise that it is far easier to enter Constantinople than to leave it. The most tangible result will be more burdens for the taxpayer. We have definitely announced our intention of seeking a mandate for the whole of Mesopotamia. This means a permanent annual addition of at least £20,000,000 to our expenditure, against a present annual revenue of less than £3,000,000 from these derelict lands. I am of opinion that the ultimate annual cost of holding Mesopotamia will be far more than £20,000,000, because we shall be incessantly engaged in fighting on its fringes. In addition we have to bear the cost of the troops in Palestine and Egypt, estimated at £12,000,000, a charge which is not likely to grow less. We cannot afford these new Imperial adventures ; India paid for herself, but these countries must always be a drain. We are undertaking these responsibilities in spite of the black warning contained in the national balance-sheet for the financial year which ended on March 31, 1920. The total expenditure chargeable against revenue during the year was £1,665,000,000. The accounts showed a deficit of £326,000,000, but the true deficit was very much larger. The money derived from the sale of war stores should never have been counted as revenue, but should have gone to the reduction of debt.

I have said that Mr. Chamberlain is only now approaching

his battle of the Somme, and the prospective magnitude of his new Budget confirms this assertion. Already it is recognised that he must ask for a sum within £150,000,000 of the total he presented last April. The new Budget is still on the war scale. If in the second Budget after the cessation of formal hostilities we are nowhere near a sane and normal basis of expenditure, when are we likely to recover financial equilibrium? Last October Mr. Chamberlain gave us his impression of the possible size of a future 'normal' Budget. The first Estimates for 1920-21 are now published, and we know what the Government reckon to spend this year. In the appended table I compare the figures of Mr. Chamberlain's imaginary 'normal year' with this year's actual Estimates. They reveal the rate at which we are rushing towards Niagara.

	'Normal' Year.	This Year (1920).
<i>Army and Air Force</i>	£75,000,000	£146,000,000
<i>Royal Navy</i>	60,000,000	84,000,000
<i>Civil Service and Revenue Departments</i>	300,000,000	557,000,000
<i>Interest on Debt, etc.</i>	373,000,000	400,000,000
	<u>£808,000,000</u>	<u>£1,187,000,000</u>

We are thus £379,000,000 over the 'normal' year, without counting the Supplementary Estimates later on, which are as inevitable nowadays as the fall of autumn leaves. Nor is there included in this total the £50,000,000 per annum steadily accumulating interest on our debt to the United States Government, at present in abeyance, but payable within three years. It is also certain that the £125,000,000 for the Army is going to be largely exceeded, and none know this better than the Government. They are being exceeded now. These enormous Army Estimates only budget for £2,700,000 for the British forces in and around Constantinople and at various points in the Balkans and on the shores of the Black Sea. Fresh reinforcements are already being sent to the Turkish capital, and this item of the Estimates is quite illusory, in view of what is happening. Again, the provision made for Mesopotamia is extremely misleading. The present cost of the Army garrison is given as £18,890,000. In the Estimates this sum is reduced by

£2,716,000, on the pretext that there will be reductions in strength. How can the garrison be reduced if we are to hold 150,000 square miles of territory, peopled by tribes with predatory instincts and in many instances hostile to us? There have been four punitive expeditions into the mountain borders in the last few months. We are being played with about Mesopotamia. I estimate that in the current year the British taxpayer will have to spend at least £10 per head upon the two and a half million Arabs and Kurds who inhabit that uninviting land. This calculation does not take into account the cost of further punitive expeditions, which are certain to recur.¹

I have discussed this Middle Eastern expenditure in some detail, because I am convinced that the country cannot afford any more Oriental adventures. There is a further item of over £5,000,000 for Palestine, a land from which we ought to withdraw as quickly as possible; and another of over £7,000,000 for our military forces in Egypt, where we are in a dreadful tangle, largely through our own fault. In these two countries the money of the hard-pressed British tax-payer is being scattered with a wanton hand. To hold down the unarmed population of Egypt there are to-day in that country more soldiers than Lord Wolseley in 1882 in his conquest of the country required to defeat the trained and disciplined army of Arabi Pasha. We want no more mandates. The Government are entrusted with a mandate for Great Britain, and it is their duty to fulfil it, instead of creating a drain of men and money in these distant lands.

It must be plain, however, that the large reductions which must be made in the cost of the fighting services will not suffice to rescue the nation from its present financial plight. It is in the Estimates for the Civil Services and Revenue Departments that we now find the chief growth in expenditure. It is there that the axe should be used remorselessly. In the year before the war the expenditure under these Estimates amounted to £81,000,000. This year, as I have shown, they amount to £557,000,000, an increase for which there can be no possible justification. I have dealt on previous occasions with the principal heads of this colossal outlay. When we have made every allowance for

¹ Three months afterwards a great rising began in Mesopotamia, and large reinforcements were hurriedly sent from India.

the cost of pensions and other inevitable new charges there is nothing to warrant so enormous an expansion. It makes a mockery of the recent solemn admonition of the Supreme Council of the Allies that 'the necessary measures must be initiated by every country to balance recurrent Government expenditure with national income.' While the Civil Service Estimates are so swollen, we shall never strike such a balance. These Estimates are marked by many examples of needless extravagance. Take the question of building. While the need for new houses for the people remains so urgent, the Government ought to refrain entirely from building or acquiring new departmental offices. Yet the Departments have never had such big building programmes as now, while the Ministries of Labour and of Pensions have just secured a renewal of their purely wartime powers to commandeer at will. I am informed that if the recommendations of the Royal Commission on the Income Tax are accepted in their entirety, they will involve the acquisition of numbers of fresh offices all over the country. They will also necessitate another substantial increase in the bureaucracy, chiefly for subjecting comparatively small incomes to fresh inquisitorial processes.

The greatest financial danger which now confronts the country is the tendency towards a rapid development of the principle of State subsidies. In one of the reservations to the Income Tax report certain members of the Commission point out that these subsidies in various forms now amount to £192,000,000, and are about to be further increased. While we are demobilising our workhouses we are instituting a gigantic system of outdoor relief.

Will Mr. Chamberlain, in introducing his Budget, be able to say that he feels we are within measurable distance of his 'normal' year? On the contrary, he must know far better than I do that, as we are going on at present, our recurring expenditure shows every likelihood of increasing rather than of diminishing. A new charge in prospect is that of the Government subsidy for making good the loss on uneconomic rents under the new housing scheme, which is said to be likely to amount in the end to £30,000,000 annually. Reliance on the proceeds of the sales of surplus war assets only means postponing the evil day a little longer. The Government must retrench or the structure of the nation will

collapse. An insolvent Empire is bound to develop the seeds of swift decay. No Government is justified in pandering to the new gospel of 'wealth for all without work.' While our own perplexities are great enough, we are also liable to be embarrassed by the reflex effect of the even graver financial condition of Continental nations. Our Budget is sunshine itself compared to that of France. Italy is in dire straits, and the new States are in an almost hopeless position. The promised German indemnity has become a figment of the imagination as a consequence of the collapse of German exchange, apart from other difficulties. It has been shown that, while the mark remains so depreciated, if Germany handed over to France the whole of her estimated national revenue this year, it would not materially lessen the intensity of the necessities of our Ally.

There can be no doubt that Europe is sinking deeper every month into a financial morass, and we must remember that our economic fate is to a great extent bound up with the welfare of Continental nations. If there is daylight anywhere I cannot see it. Western civilisation is far more rickety than it was a year ago, and the treacherous paper money which alone keeps it in being is no bulwark against the crash which now menaces all alike. It is true that we still have more stability than our neighbours. It is true that in the cool and temperate minds of our people we have an asset of greater value than any gold reserve. We may even survive the shock of nations toppling over all around us ; but we shall only do so if the Government recognise that for practical purposes we are immeasurably poorer than we were six years ago.

Civilisation has never moved forward in one continuous upward line. Its curve has been subjected to the most violent fluctuations, and its trend at present is unmistakably downward. Empires do not now take centuries to die. Russia was obliterated in a year. Solvency is the one thing essential to our salvation. Without it we are lost. We must choose between solvency and downfall, and choose quickly. Two more Budgets such as Mr. Chamberlain is about to introduce may mean our extinction as an Empire and a Great Power. They will imply famine and ruin, for a bankrupt people dependent on foreign supplies for the bulk of its food cannot hope to recover.

THE MISTAKES OF MR. CHAMBERLAIN¹

MR. AUSTEN CHAMBERLAIN, Chancellor of the Exchequer, closed his Budget statement on April 19, 1920, with a reply to my remark that two more such Budgets 'may mean our extinction as an Empire and a Great Power.' He retorted that 'twenty such Budgets would redeem the whole of our debt.' My rejoinder is that the diminishing resources of this country could not stand twenty such Budgets. I am convinced that Great Britain cannot stand two more such Budgets; that we may not be able to stand one more; that the yield of taxation will decline; and that indications are arising that this very Budget, and the various taxation proposals associated with it, may set in motion a financial panic infinitely exceeding in its consequences the great money market crisis of 1866. The position has become so grave that it is necessary to say something about Mr. Chamberlain's recent record as Chancellor. No personal implications are intended. Mr. Chamberlain's strong sense of public duty, the honoured name he bears, and his high character and sincerity, are widely recognised and have earned him the esteem of his countrymen. But we are living in critical times. Mr. Chamberlain seems to occupy a curiously isolated position. None of his colleagues appears to take the smallest interest in the gigantic taxation schemes which he fashions alone in the solitude of the Treasury. Far more than any other Minister, Mr. Chamberlain has the future of Great Britain in his hands, to make or to mar. He carries upon his shoulders responsibilities without precedent, and seems to seek no help save from a few Treasury officials whose recent appearances in public have not encouraged confidence in their breadth of view or their knowledge of business.

We are at least entitled to examine the record of Mr. Chamberlain as set forth in his recent public utterances, and to ask ourselves how far he has shown himself competent to guide this country through the present perilous crisis in its financial fortunes. We know that he is honourable, but

¹ May 30, 1920.

is he inflexible in council, is he unfaltering in conviction, is he clear in his conceptions, and has he the qualities requisite for the unexampled dangers which confront us? I propose to show that Mr. Austen Chamberlain's outlook upon finance changes like the temperature chart of a fever patient; that he has neglected the primary duties of his office because he misconceives his functions; that he has concentrated upon new methods of taxation and has never tried to enforce economy; and that, unless the control of the Exchequer passes into stronger and more competent hands, we shall drift towards a disaster from which there can be no salvation.

By his own words Mr. Chamberlain may be judged. On April 30, 1919, apparently with the object of soothing a House of Commons asked to swallow a very formidable Budget, Mr. Chamberlain drew a picture of an imaginary normal year in which revenue would amount to £652,000,000, and expenditure to £766,000,000. He thereupon requested the complacent House — the point is generally forgotten — to vote additional permanent taxation amounting to £108,950,000, which he hoped would set the national balance-sheet right when the normal year arrived. The money was innocently voted, but, according to Mr. Chamberlain's more recent statement, it would seem there is little prospect of a 'normal' year for the next two decades. On August 7, 1919, Mr. Chamberlain roused the nation from its indifference by his famous and perfectly true declaration: 'If we were to continue spending at the rate we are spending now it would lead us straight to national bankruptcy.' He went on to say that he was 'beginning to wonder' whether next year he could balance expenditure against receipts 'without new taxation.' Here I may interpose the remark that since last August the volume of our permanent recurring expenditure has greatly increased, so that, presumably, we must be heading towards national bankruptcy more rapidly than ever. On October 29, 1919, Mr. Chamberlain delighted the House of Commons by suddenly declaring: 'I now no longer think that new taxation will be required' for the purpose indicated. He further said that unless the House imposed new charges, 'I can see no necessity for new taxation next year or in a normal year.' Nothing at all had happened to justify this transformation in twelve weeks, except that there was great disquietude in the country about the way the Government

were wasting money, and it was thought a dose of soothing syrup was required.

On April 19 this year Mr. Chamberlain unveiled his new Budget mysteries, and it was discovered that instead of the 'no necessity for new taxation next year,' as stated in October, they provided for £198,000,000 new taxation in a full year! No comment is needed on this extraordinary wobbling. The figures speak for themselves. I had predicted after Mr. Chamberlain's August speech 'not only that new taxation will be necessary next year, but that in view of the rate at which we are spending the new taxation will be absolutely crushing.' My words have been unhappily fulfilled.

Next, as to the question of a levy on capital. In his Budget speech on April 30, 1919, Mr. Chamberlain discussed the question of a levy, and said: 'It would mean an immense disturbance of credit. Everyone would be seeking to sell securities of one sort or another, and where all are sellers who would be buyers, and who shall measure the loss to the country by the depreciation of all securities? Our great need now and for years to come is that we should have, not less capital, but more capital, and I hope the House will lend no countenance to so hazardous and, in my opinion, so disastrous an experiment.' These were firm words. Let us bear them closely in mind and see what Mr. Chamberlain's firmness eventually amounted to. On May 20, 1919, he said of the capital levy: 'My views are unchanged. They were not formed without consideration, and the more I study it and the more I listen to speeches which are made in support of it, the more difficult does the proposition appear to me to become.' By October 29, 1919, he had shifted his ground. He again denounced the idea of a general capital levy, said it was 'not in the interests of the nation,' declared that 'the public would feel they had no security that the experiment would not be repeated,' and observed that if the House ever wanted such a levy, they must not expect him to carry it out. But he thought 'the proposal for a special levy on wealth accumulated by reason of, out of, or during the war,' stood on an entirely different footing; and he promised that a Parliamentary Committee should inquire into the question.

In his Budget statement on April 19 last, Mr. Chamberlain was quite prepared to swallow the 'levy on war increases of wealth,' if the Parliamentary Committee reported in favour

of it. By May 11, after the Committee had said that such a levy was 'practicable,' though without recommending it, we find Mr. Chamberlain warmly advocating it on the extraordinary and quite imaginary ground that it would be 'an insurance against a tax on capital of all kinds.' Was there ever such a complete change of front in a single year? Yet every argument he adduced on April 30, 1919, is applicable to the present proposal. There is no difference between a general levy on capital and a levy, not on 'war-profits,' but on increases of wealth in war-time, and it is only a mind hopelessly bemused that could think there is.

I have shown Mr. Chamberlain alternately gloomy and jubilant. I have shown him declaring that there would be no new taxation and then smiting the taxpayer hip and thigh. I have shown him boxing the political compass on the question of the levy. I will now deal with his erroneous conception of his office, one of the chief causes of the nation's present plight. On May 20, 1919, Mr. Chamberlain said: 'I will tell the House frankly that my intention is not and will not be to fight my colleagues. On the contrary, my endeavour is and will be to secure their co-operation in their own departments.' On August 7, 1919, he said: 'We have wholly insufficient time for thought.' This is obvious from the crude proposals now before the public. On March 16 last he said: 'I would be content if they (hon. members) would put their finger on a practicable means of saving £500,000.' I or any student of Mr. Chamberlain's Budgets would readily show him how to save £100,000,000. But if he does not know how to save even half a million, how will he ever reach his 'normal year,' to attain which requires a saving of more than 600 million pounds yearly? On May 11 last he said: 'The hon. member went on to say that it was the business of the Chancellor of the Exchequer to say to the departments: "I can find so much money and not a penny more can you have." I do not agree.' Mr. Chamberlain proceeded to remark that he could no more dissociate himself from the great acts of policy for which the Cabinet were responsible than could the War Secretary or the First Lord of the Admiralty.

I trust these extracts will assist the country to understand why we are in such a financial mess. With a Chancellor holding such amazing views of his office we are bound to be

in a mess. He will not fight his colleagues. He has no time to think. He tells the Cabinet the financial position, and if they persist in indulging in 'great acts of policy' regardless of expense, he, the guardian of the public purse, considers it his duty to acquiesce. If this is the way the Exchequer is controlled the marvel is that the country is not bankrupt already. One hour of the immortal Gladstone would have taught Mr. Chamberlain a very different and a far loftier conception of his duties. Gladstone, who was nothing if not intrepid, never hesitated to fight his colleagues. Lord Morley, describing one such struggle, says : 'The controversy between him and his colleagues raged at red heat over the whole ground of military estimates, the handling of the militia, and the construction of fortifications. He wrote memorandum upon memorandum with untiring energy, pressing the Cabinet with the enormous rate in the increase of charge ; with the slight grounds on which increase of charge was now ordinarily proposed and entertained ; and, most of all, with the absence of all attempt to compensate for new and necessary expenditure by retrenchment in quarters where the scale of outlay had either always been, or had become unnecessary.' Gladstone fought about an item of two millions. Can we conceive Mr. Chamberlain waging such a contest over £200,000,000 ? Contrast Gladstone's views of his office with those expressed by Mr. Chamberlain. 'In my opinion,' said Gladstone, 'the Chancellor of the Exchequer is the trusted and confidential steward of the public. He is under a sacred obligation with regard to all that he consents to spend.'

Mr. Chamberlain is the Generalissimo of British finance. He is at the seat of war, and says he has no time to think. Finance is now the most vital issue confronting us. When our military generals were fighting their great battles on the Continent, what would have been thought if chaos had supervened and they had sent home a similar excuse ? Instead of saying 'Ditto' to the rest of the Cabinet on matters of policy at the present time the Chancellor's voice should determine the issue if expenditure is involved. There should be no truce between the Chancellor and any of his colleagues who are disposed to be extravagant. Yet there is no indication that Mr. Chamberlain has ever attempted to enforce economy at all.

A year or so ago I was myself attracted, chiefly for sentimental reasons, by the idea of a levy on war-wealth, and even went to the length of advocating it ; but closer investigation has convinced me that its effect upon commerce and industry would be paralysing and disastrous. Already the mere threat of the levy has had dire consequences, which will soon be seen, I fear, in a great increase of unemployment.¹

In the last twelve months Mr. Chamberlain has drifted hither and thither like a rudderless ship. Misled by his advisers, he has wrought an incredible amount of mischief, and has ruined all present prospect of a further revival of trade. He framed his Budget on a passing boom which had broken almost before his Budget speech was delivered. Can we permit the continuance of financial proposals which banking authorities predict will cause a panic ?

¹ On April 29, 1921, there were 1,865,800 persons registered as unemployed, and 1,074,682 persons registered as working systematic short time to an extent which entitled them to public assistance. These figures included a very high proportion of women, a point which seemed to require investigation. As many unemployed do not register, the true statistics of unemployment were undoubtedly larger than the official returns. To these numbers must be added the approximate estimate of 1,218,798 persons on strike in the coal industry at the date named, which makes the total ascertained numbers of those affected 4,159,280, without counting wives, children of school age or less, and other dependents.

MASTER-SPENDERS AND SQUANDERMANIA ¹

'All excess in the public expenditure beyond the legitimate wants of the country is not only a pecuniary waste, but a great political, and above all, a great moral evil. . . .

'It is characteristic of the mischiefs that arise from financial prodigality that they creep onwards with a noiseless and a stealthy step; that they commonly remain unseen and unfelt, until they have reached a magnitude absolutely overwhelming.'—WILLIAM EWART GLADSTONE.

By withdrawing the proposal for a levy on capital, the Government have just—and only just—averted a national disaster almost as grave as the loss of the Channel ports would have been during the war. Mr. Austen Chamberlain admits that 'the depth and the universality of the fears expressed' amounted 'almost' to a financial panic, and that such a panic would have been a 'catastrophe.' There were moments in the war when ineptitude brought this country to the edge of the abyss. We were again very near the edge last week, as the whole business world knows. May we not once more find ourselves in the same position in the coming months, unless meanwhile there is a drastic change in the wanton financial policy of the Government? The danger of a financial panic has not passed. It has only been temporarily checked. If our finances are not henceforth handled with infinitely greater skill than is the case to-day, the risk of panic and its irremediable consequences will reappear. The disaster we all fear still lurks in the background.

A Chancellor who feebly accepts his policy from officials and from Commissions and Committees is not qualified to steer the nation through the financial reefs and shoals which lie athwart its course. Mr. Chamberlain's attitude is strikingly illustrated by his remark about the Income Tax Commission. He said on March 12 that the fact that all the members of the Commission had signed the report 'would carry such weight that the strongest reasons would be necessary to warrant any material departure from their recommendations.' I may point out that nine important

¹ June 13, 1920.

reservations added to the report were ignored by Mr. Chamberlain. In any case, such reports are not meant to be swallowed wholesale, but rather to be examined and tested. In all our financial history, has any Chancellor ever accepted so many schemes ready-made, like suits of clothes, from others? And is not this tendency a confession of personal incapacity?

Mr. Chamberlain now falls back upon his proposal to increase the Excess Profits Duty from 40 per cent. to 60 per cent., in violation of his own implied promises, such as his statement on April 30, 1919, that he proposed to continue the duty for another year 'as a temporary, *and only as a temporary* measure.' His case for the increase is to a great extent vitiated by the fact that he admits he decided upon it when business was believed to be booming, and there is now a heavy slump, which is likely to continue. Last year the Excess Profits Duty was severely condemned: (1) because it operates with unfairness and inequality; (2) because it has encouraged wasteful expenditure; (3) because it acts as a great deterrent to enterprise, industry, and new development. Who uttered this drastic condemnation? *It was Mr. Chamberlain himself.* A 20 per cent. increase in the Excess Profits Duty will only bring in £10,000,000 this year, and £100,000,000 in a full year. It would be perfectly easy to save £10,000,000 this year in a dozen directions, and so to reduce the recurring Estimates by next year that far more than £100,000,000 would be saved. There is not the slightest necessity for increasing the Excess Profits Duty at all, if the Cabinet and the House of Commons do their duty.¹ *The remedy is to curb the master-spenders, and to get rid of the squandermania which afflicts the whole of the public departments.* We shall soon be in the same condition as Portugal, of which country I recently read that 'the crowd of new public servants, veritable parasites who do little but draw their pay, is such that the deputy Malheiro Reymao lately asserted in Parliament that 8,000 of them had no desks and so could not work if they would.'

The current Estimates of almost any department will be found full of instances of waste and muddle, though it is extremely difficult to ascertain the whole truth. Take,

¹ The Excess Profits Duty has now been dropped, after it has done its deadly work in helping to paralyse industry and to create wholesale unemployment.

for example, the Labour Ministry's Estimates. I note first that the total of £25,369,000 does not include various items charged to other departments, amounting in all to nearly £2,000,000 more. This vicious method of disguising the true expenditure of a Ministry by spreading it through several departments distorts and renders misleading almost the whole of the Government accounts. The practice is most unbusinesslike. The monthly returns presented to Parliament suggest that the total number of persons employed under the Labour Ministry has been gradually reduced. They conceal the fact that during the past year Sir Robert Horne was steadily increasing the permanent staff, with the members of which contractual obligations are presumably made. The Finance Branch alone has increased its permanent staff from 716 to 1,398. The words 'Labour Exchanges' do not occur either in this year's or last year's Estimates of the Labour Ministry. Is the disuse of the term due to the fact that the exchanges meet with a large measure of public disapproval? We read instead of 'Executive Departments, Divisional and Local Offices,' which, with the 'General Manager's Branch,' are to cost this year in salaries and travelling expenses alone a sum of £2,262,912. The Labour Exchanges are useless and a grave cause of waste. They ought to be abolished forthwith. The contempt in which the Exchanges are held by the trades unions and the dislike they arouse even among the unemployed ought to be regarded as sufficient reason for their suppression. They have proved a miserable and costly failure, and time after time it has been demonstrated that their returns are frequently swollen by subterfuges and dubious pretences. I think it is probably desirable to retain a Minister of Labour, but his legitimate work could be done with a very small and inexpensive staff.

Sir Robert Horne is supposed to be the great discovery of this Parliament. Investigation leads to the further discovery that he is undoubtedly a master-spender, and possibly the most facile of the master-spenders which Scotland has so liberally contributed to the personnel of the present Administration. One wonders what the Board of Trade's Estimates will be like after a year of his control. So long as Ministers continue to create new departments, and to squander the nation's money in wholesale fashion, we shall

remain in our present financial plight. The way to cut down expenditure is to begin by abolishing departments and by cutting down the new bureaucracy.

I cannot here discuss the Education Estimates in detail, but I notice that on May 11 Mr. Chamberlain made a remarkable statement about them. He said: '£53,000,000 is for education grants [I believe the correct sum is £56,000,000] which I wish were going to stop there, *but which will go up to £70,000,000 automatically before very long.*' Why automatically? Although I have a great admiration for his high character, I ask: What is the use of a Chancellor of the Exchequer if he cannot check these 'automatic' increases? Does anyone know what this country is spending upon education? In addition to the £70,000,000 foreshadowed by Mr. Chamberlain, there are vast local contributions, the full amount of which is unknown. Are we spending, or about to spend, over £100,000,000 annually upon education alone? And can we afford to do so? Not much more than twenty years ago our entire national revenue reached £100,000,000 for the first time. We have just passed through a tremendous war which has left us with an almost unimaginable burden of debt.

Spain is a comparatively rich country to-day. Spain is twice the size of Great Britain, and has a population of over 22,000,000. The annual revenue of Spain is somewhere about £100,000,000, and out of it she maintains an army whose peace strength is 190,000. She also pays the interest on a debt of nearly £400,000,000, maintains a navy which includes three Dreadnoughts, makes nearly 100 per cent. profit on her postal service, provides liberal old-age pensions, pays for the whole internal government of the country, and is now subsidising the newspapers of the country to the extent of over £1,000,000 yearly to enable them to meet the present heavy cost of paper. Spain does this on a revenue less than we are proposing to spend on education alone.

I repeat, can we afford such a huge outlay upon education, much of which is squandered upon educational luxuries which no one seeks? Can we afford the new Education Act, which is going to take farm lads and girls up to the age of eighteen away from their work when the energies of the whole agricultural population of this country are urgently required to tide over the grave food crisis of the next few

years? Few will grudge the teachers their extra pay, but what are we to think of Lord Haldane, who said at Bristol the other day that it ought to be the duty of the State 'to assume a new responsibility for an education that need cease only with the grave'? The truth is that under Mr. Fisher men of much education and little knowledge have taken possession of the Board of Education, and have instituted there a veritable saturnalia of squandermania.

The Ministry of Health is another new department which seems likely to set in motion a whirlwind of expenditure. I have just been looking at the interim report of Lord Dawson of Penn and his Consultative Council upon 'the future provision of medical and allied services.' It is a remarkable report, obviously inspired by high ideals. It contains pretty maps, showing 'Primary Health Centres' in every village, and 'Secondary Health Centres' in the towns, and 'Domiciliary Services,' and 'Supplementary Services.' It is illustrated by wonderful pictures and plans of imposing buildings with which the villages are to be equipped and which will dwarf the parish churches. It is a scheme which would be welcomed with acclamation—in Utopia. But there is not a word about the probable cost, the first thing which should have been considered. Yet Dr. Addison blandly says that 'proposals for action' are being formulated, which will be 'submitted to Parliament by the Government in due course.' No one would dream that this scheme, which must assuredly cost very many millions, in spite of its partially contributory basis, is being considered by a Government who live in anxious fear lest the bankers will not be able to supply them with money to go on squandering. Still less would anybody dream that the public, whose chief desire is to cut down national expenditure, have never asked for this scheme at all. We are learning by bitter experience that it is a mistake to put a University don at the head of the Education Department, or a doctor at the head of the Board of Health. Their professional preoccupations and enthusiasms distort their perspective, limit their outlook, and render them oblivious to the country's real condition.

Behind all these and many other administrative lunacies there looms the dark cloud of our local expenditure and debt. We are supposed to be a businesslike nation, yet no one in the Government or out of it can tell us how much our innumer-

able local authorities are spending to-day, or how much they owe. A pointed question about local expenditure was asked in Parliament just before the Whitsuntide Recess, and the inquiring member was referred to a partial and incomplete return of Government grants to local bodies! The last figures available are those for 1913-14. Yet everyone knows that local rates are soaring sky-high, and that when they can manufacturers are migrating from urban to rural districts to escape excessive local taxation.¹

That we are heading towards bankruptcy has been admitted by the bewildered Mr. Chamberlain himself. Since he spoke his prophetic words last August the situation has appreciably altered for the worse, and still the Government go on spending, although an era of world-poverty is at hand. Through the immeasurable folly of our rulers we have been saddled with the most costly administration the world has ever seen. Unless strong hands seize the financial helm, we shall continue to drift rapidly towards Niagara. Taxation is no remedy. Taxation is merely driving our despairing people to spend, instead of investing, the money which they fear the State will seize. Economy is the only remedy. We must cut out the gangrene of waste. We must insist upon cheaper and less luxurious methods of administration, both national and local. We must abandon foolish dreams of desert Empires. And we must place the finances of this country under the direction of a Chancellor of the Exchequer who can think for himself, who is not dependent upon the half-baked advice of financial amateurs, and who can fight on behalf of us all the battle which has still to be waged with a bureaucracy made reckless by tendencies acquired amid the incoherent wastefulness of war-time.

¹ Returns have since been issued showing that in 1919 the Government grants to local bodies amounted to £28,000,000, a total which has since been largely exceeded. On December 10, 1920, Mr. Austen Chamberlain signed a leaflet stating that 'payments in relief of your rates' during the year amounted to £114,000,000. This included the Government share of the cost of education. The estimated amount raised in rates by local authorities in 1920-21 was £149,000,000 for England and Wales, and £17,650,000 for Scotland.

THE NATION'S REVOLT¹

THE question is being widely and anxiously asked, even by their own warm supporters: '*How long can the Government last?*' The public are deeply roused upon the Squandermania issue, but I cannot see a single sign that any practical step is being taken to balance revenue and expenditure. On the contrary, we find the Government declaring that they propose to continue for an indefinite period much of their vast expenditure in Mesopotamia and Persia. Simultaneously they have encouraged Greece to embark upon a war in which we are to participate, to an extent still undisclosed, but at a cost which may eventually be immense. Was there ever such madness? Mr. Chamberlain has almost destroyed, not the credit of Great Britain, but the credit which the Government ought to enjoy with the people of this country. Never until now have we had a Government in which the nation has completely lost financial faith. Such a withdrawal of confidence is bound in the end to be fatal to the existence of any Ministry, however powerful.

What is the use of talking about economy when within the last week we have gone to war again? We are engaged in quite unnecessary warfare with Mustapha Kemal Pasha, the leader of the Turkish Nationalists, who is now by far the strongest factor in the Turkish Empire. We are told by Government spokesmen that Greece is going to do all the work, and that we shall only have to play about a little on the coasts of the Sea of Marmora, and to hold Constantinople and the Dardanelles. How many more lessons will be needed to teach our Government that there can be no limited liability in war? If we think little Greece can supply for very long the military strength required to enforce the most unwise Turkish Treaty, we are deluding ourselves. In 1914 our entry into the Great War was based upon the absurd assumption that we were to send six divisions and a cavalry corps to France. Instead of the 'limited' help we

¹ June 27, 1920.

had promised, we eventually mobilised seven million men and brought ourselves to the verge of bankruptcy. The Turkish Nationalists can go on fighting for years. When Greece has exhausted her military strength and her new-found money, and turns to us for help, as assuredly she must, what are we going to say? ¹ I have seen it said that our principal help to the Greeks will be naval in character. The Royal Navy cannot steam across the uplands of Asia Minor. The British battalions now being hurried to the fringe of hostilities look like a great deal more than naval help. There is one simple rule which ought to be the watchword of any British Government at this juncture, and that is '*Finance first.*' They should give no countenance to any more wars either in Europe or in Asia.

In my article published on February 29 last, and entitled 'We want no more Asiatic Gambles,' I foresaw and broadly described some of the features of the situation which has now arisen. I said that if we deprived the Turks of their capital and of access to the coasts of Asia Minor we should be confronted with intermittent warfare. The Turks were left in their capital, but under Allied military control, and we have, as I then feared, forced them from the coasts 'into the wilds of Asia Minor.' I predicted in my February article that 'our military and civil expenditure' in the Near and Middle East would 'exceed £100,000,000 this year.' My prediction was disbelieved at the time, but it is now probable that my estimate will be exceeded.² I urged that we should evacuate Mesopotamia, hold the port of Basra and the delta of the Tigris and Euphrates, and leave the Arabs of the interior 'to build up an administration of their own, possibly with the advice and assistance of a few British officials.' There is now talk of an Arab administration, but our troops are to remain in the interior. *Evil will come of this decision,*³ and I repeat my statement that 'the sea is our element, and in the Middle East we should never go far from tidal waters.' We should withdraw our troops from Persia, where we are not wanted, and where we have

¹ Greece is again asking for financial help, though she professes to be able to raise loans herself.

² See footnote 3 on p. 58.

³ The rising in Mesopotamia began shortly after the publication of this article.

no right to be. I place this question of war expenditure and war liabilities in the forefront because in no other direction are such big economies so quickly possible.

I turn again to the domestic situation. Mr. Austen Chamberlain's methods and mistakes have dealt blows under which commerce and industry are still reeling. He has made no protest against the heaping up of new burdens unconnected with the period of strife. He seems to have thought it his duty to acquiesce in every new and expensive undertaking proposed by his colleagues. He has made a fetish of taxation. I am coming to believe that we get the clue to Mr. Chamberlain's conception of his duties in his occasional delighted references to the willingness of this patriotic nation to be taxed. Throughout all his speeches as Chancellor there runs an odd strain of admiring pleasure at the response to his incessant demands. Admiration of the nation's financial sacrifices during the war was justifiable and right, but a Chancellor who appears to suppose that willingness to be taxed in peace time is a commendable quality to be exploited to the utmost, is clearly unfitted for his position. Take, for example, Mr. Chamberlain's references to the income tax. On one typical occasion he said proudly : ' I think no country in the world has such a fiscal engine as our income tax. The French income tax is not to be compared with it ; the German income tax is not to be compared with it.' Even the simile is not original. It was Lord Morley, I think, who first compared the income tax to an engine. But my point is that, though the income tax is a permanent part of our financial system, it should never be an object of admiration. It is an engine which, from its very facile working, is liable to run away with any Government. It has debauched one Government after another, and has made us the most colossally wasteful nation in the world.

To his ingenuous praise of taxation Mr. Chamberlain adds views which are unstable enough to make him specially conspicuous in a Ministry not distinguished for consistency of conviction. His crudeness and incertitude of thought have profoundly unsettled the business world. Within a little more than twelve months he has : (1) Promised in effect to abolish the Excess Profits Duty and then increased it. (2) Raised a Victory Loan on the understanding that it

was to be used for the reduction of debt and then spent the money on current purposes. (3) Said that if the Government continued spending we should be heading straight for national bankruptcy, and then backed up his colleagues for spending harder than ever. (4) Said that if we could not increase production 'we *shall* go to national bankruptcy,' and then clapped on such an increase in Excess Profits Duty, as well as other taxation on industry, that we are confronted with the prospect of a grave decline in production. (5) Refused to entertain the proposals for a capital levy and then tried to force one on the nation. (6) Vowed in October, with a few 'ifs,' that there would be no new taxation in the next Budget, and then imposed new taxation amounting to £198,000,000, a sum almost equivalent to the whole of our pre-war revenue. In the presence of such inconsistency, can it be considered surprising that business grows stagnant, that bankers are in despair, and that the whole nation is now crying out that this weathercock business at the Treasury must be ended?

Three main factors, apart from the military issues with which I have dealt, are bound to prove fatal to the Government if they do not bestir themselves. They are: (1) I am convinced that there will be no large applications for Treasury Bills or Bonds, or subscriptions to funding loans, or any form of Government loan, while Mr. Chamberlain remains in office. The general public are profoundly alarmed by his management. (2) Any further mishandling of our national finances will inevitably lead to national insolvency, the sure precursor of Revolutionary Socialism. (3) The financial crisis towards which Mr. Chamberlain is steering us will, if it comes, differ fundamentally from past crises. Such crises have been usually commercial in character, and the credit of the national Government has generally saved the situation in moments of stress. We have still to see a crisis produced by the direct action of a Government who have destroyed their own credit, and to whose loans the nation is ceasing to subscribe. I believe the consequences of a panic due to Government squandermania are illimitable. Such a panic will be swiftly accompanied by the general closing of banks, the stoppage of industries, and perhaps even the stoppage of transportation. There will be no money to pay wages, and consequently little money to buy food.

The value of our piles of paper currency will sink in a night. The first Lord Goschen once said that 'the thing needed above everything in a crisis is cash,' and nobody will have any. From the resultant chaos our ruin may be almost as complete as that of Russia under Leninism. I do not say that such a panic is near at hand, but I assert with emphasis that it is inevitable unless our national finances are quickly placed in strong and capable hands. There are other factors which will accelerate it. One is the rapid growth of local taxation. Is it realised that in some districts householders are destined to be confronted with *rates amounting to 40s. in the pound*?

With these prospects ahead, it almost passes belief that our statesmen, politicians, and soldiers should still be lightly running into wild adventures in the waste spaces of the earth; spending the best part of £50,000,000 a year upon a couple of million Arabs and some hostile Persians; promising to back up weak little nations in big and evil wars; planning an elaborate development of education while throttling industry; devising spacious 'health' schemes at enormous cost for a nation which may soon be in danger of semi-starvation; trying to build vast 'Labour Exchanges' while doing their best to ruin the opportunities of employment; and designing popinjay uniforms for an army which is already in excess either of our requirements or of our capacity to pay.

I do not agree with Mr. McKenna, whose public appearances I welcome, that this country can stand a Budget of £1,000,000,000. Disraeli said in the House of Commons in 1859: 'There is no country that can go on raising seventy millions in time of peace with impunity. England cannot; and if England cannot, no country can.' I wonder what he would have said of the lunatics who are proposing to spend, not seventy millions, but over a hundred millions, upon education alone at the close of a prolonged and ruinous war.

In spite of the dangers which have arisen, the Government might, in my opinion, save the situation, but *only* if they restore confidence by giving us an efficient Chancellor; *only* if they cut down expenditure by hundreds of millions; *only* if they clear out the master-spenders, 'bag and baggage'; *only* if they clear out every man, soldier or civilian, who is playing at making new Empires between the Suez Canal and the frontiers of India; *only* if they administer to them-

selves the economical antidote to the disease of squandermania from which they are all suffering. Under the present alarming conditions, the marvel from day to day is that the Government lasts at all. They have now alienated nearly the whole of the business community. They will lose any support still extended to them by the industrial classes as shops and factories close and as industrial enterprises diminish. Their recklessness in engaging in a new war in Anatolia and in maintaining a military domination elsewhere in the Middle East outrages common sense. No majority can keep a Government in power unless they also have the nation at their back.

RUSSIA—AND MINDING OUR OWN BUSINESS ¹

I VENTURE to suggest that there is far too much excitement in this country about our relations with France, and about the difficulties created by the defeat of Poland.² What we have got to do is to keep calm and mind our own business, instead of worrying about the affairs of every other nation. So far as Great Britain is concerned the Russo-Polish situation is governed by fixed and unalterable factors. The foremost of these factors is that nothing will now induce the British nation to engage in a fresh war about Poland or any other state in Eastern Europe or Western Asia. Even if we wanted to fight Russia, we could not do so. Our French Allies hold a different view, and are acting upon it. They are not prepared to engage actively in war themselves, but desire to back up General Wrangel, the Russian commander who is fighting the Bolshevist Government from a base in the Crimea. If France adopts this course she must do so without our co-operation. I see no reason why such a divergence of opinion need destroy the links which unite the two countries.

The Alliance between France and Great Britain is now based upon a mutual desire to maintain safeguards against a renewal of German aggression. It does not rest, and has never rested, upon any mutual resolve to attack the Bolshevist Government. France cannot stand alone, and to whom else would she turn? Would she march across her own blood-soaked soil to embrace the Germans, who have twice invaded her within fifty years? There should be an end of these constant cries of 'The Alliance in danger!' I may be told that the single thought of the French is still protection against Germany, that they sought to make of Poland a protective dyke, and that they also wished to interpose a wall between Germany and the new Russian Tsardom. Well, the dyke is broken. The wall is down. There was probably never the smallest chance that Poland could have remained the

¹ August 15, 1920.

² Fortunately, the Bolshevist invasion of Poland soon afterwards collapsed, but the arguments here used stand good.

formidable barrier conceived by the French. Even if the Poles were a cohesive race of invincible warriors, they could never have stood back to back and simultaneously opposed the two most populous nations in Europe. The only dyke which will ever withstand German penetration into Russia is a free, powerful, and united Russian nation, which will appear some day, though perhaps not yet. That Poland has come to grief is not in the least surprising. Apart from the peace negotiations which still hang in the balance, she could only be rescued by direct military intervention. Backing up General Wrangel away in the Crimea will not help Poland now. The only conceivable course is to send great armies to the Polish front. Is France prepared to do it? Can she do it? The reluctance of French battalions to embark for Syria is a sufficient answer. I am writing of unpleasant things, but my words are meant for plain men, and half the present troubles arise from reluctance to handle frankly facts which are no secret. In any case, the people of Great Britain are absolutely determined not to enter upon such a war. We are sorry for Poland, but are no more prepared to fight for her than are our French Allies. Upon this issue the whole of the British people are of one mind.

When I see some of our Labour leaders organising 'Councils of Action' and threatening to call a general strike to prevent war about Poland, I can only conclude that they are engaged upon a very clumsy political move which should not mislead the simplest and most innocent trade unionist. They are trying to create the impression that by their noisy invocation of 'direct action' they are stopping a great conflict. Such a move ought not to fool a brood of young ducklings. Why, they are pushing at an open door! Do the trades unionists think they are alone in resenting the very thought of a war about Poland? I make bold to say that they might poll the House of Lords or the Stock Exchange or the Inns of Court or the Institute of Bankers or the whole of the business offices in the City of London or any great provincial centre, and they would get precisely the same answer that they are giving themselves.

The first reason why we cannot fight about Poland is that we cannot get the men, any more than France can. The men of this country are quite rightly not willing to engage in further war except in defence of their own homes. The

second reason is that we have not got the money, nor are we prepared to dislocate our trade and shipping for a Continental adventure which would certainly be futile. Our industries are already in an unwholesome condition, and our financial position is even worse than appears upon the surface. I may add that both our Governments and our generals have proved their unfitness for waging war on a great scale, because they have never realised that the finance of war is as important as the winning of battles. We go to war nowadays as a spendthrift rushes to ruin. Another reason is that such an undertaking would be thoroughly unsound from the military point of view. Incidentally, it would be too late, for even if all the conditions were favourable it would take months to place an army on the Polish front. Supposing we drove the Red Armies out of Poland, what then? If we withdrew they would come on again. If we tried to march to Moscow and overthrow the Bolsheviks they would continually retire, and we should be chasing a will-o'-the-wisp. And meanwhile we should have united all Russia against us, for Russians of all parties want to recover their old boundaries, and resent foreign attempts to decide their internal affairs. What Napoleon could not do we cannot do. As for the suggestion that a renewal of the naval blockade in full vigour would settle the question, I do not believe it for a moment. Ships never overcame Russia yet, and my information is that the Bolsheviks care far less about the blockade than we think.

We cannot counter Bolshevism by force of arms, any more than the monarchs of Europe could suppress with the sword the ideas which lay at the back of the French Revolution. I abhor the Bolshevik doctrines, partly because of the horrors with which their propagation is attended, partly because of the misery and death they have brought to millions of people, but most of all because common sense tells me that they are impracticable and insane, as the Bolsheviks themselves are finding out. Yet the more we raise the sword against these doctrines on their original breeding-ground the more we confer upon them strength and vitality. The only course with Bolshevism is to leave it alone outside our own shores. The people of the United States have looked on ever since 1911 at anarchy and chaos across their frontier in Mexico, and yet they have not gone to war. They have

seen great areas of Mexico laid waste, townships destroyed, many horrid massacres, their own territory sometimes violated, numbers of American subjects killed. The American view is that Mexico must work out her own salvation, and that interference would only make matters worse. Such should be our attitude towards Russia.

The two questions of the fate of Poland and the fate of Russia concern other nations much more than ourselves. The United States, for example, has a very large Polish population, and cannot be indifferent to the future of Poland. French financial interests in Russia are immense and out of all proportion to the financial interests of any of the other Allies. There is more British capital in Brazil than in Russia. The keynote of French policy towards Russia is the intense anxiety of the whole French nation that the Russian debt to France shall not be repudiated. Russian bonds are held by all classes of the population, including great numbers of people in comparatively humble circumstances. They are eager for the ultimate redemption of the bonds, and know very well that the mocking Bolsheviks have not the smallest intention of honouring Russia's financial liabilities or of paying the interest on her debt. This factor counts for infinitely more just now than the French military conception of Poland as a dyke. The two Allies thus approach the Russian problem from very different angles. It has been assumed in France that we are as anxious as our Allies for the overthrow of the Bolsheviks, because we are troubled about the safety of India. On this point the French are wrong. A few imaginative people in this country think that the Bolsheviks can strike at us through India, but the British Government and the Government of India are rightly unperturbed. We had a Russian bogey in Central Asia all last century, and it is no nearer.

A further reason why we are not going to war with Russia, directly or indirectly, is that public opinion here is beginning to take the view very strongly that our Russian policy has been framed upon wrong lines. This is not a discovery made by the Labour Party, some of whose leaders seem to wish to foster Bolshevism. It is the opinion of many who recognise that Bolshevism is a deliberate menace to civilisation, and desire to see it extirpated. The most certain way to increase the strength of Bolshevism is to put a ring fence

round Russia and to block up every exit, which is exactly what the Allies have been trying to do. While we coop up Russia we are driving all the Russian people into the hands of the Bolshevik party, who comparatively are not numerous. It has recently been said that there are only 600,000 Bolsheviks in the Russian population of 120,000,000. We have been attempting to stifle Russia, and have turned the country into a gigantic hothouse. The real cure for Bolshevism is fresh air and the sea. Probably none know this better than the leading Bolsheviks, who have good reason to dread the advent of the day when the closed doors will be opened. At present Russia is shut off from access to the outer world, even more than she has been for centuries past. Japan stands athwart her pathway to the Pacific, the Black Sea has no permissible outlet; the new Baltic States have deprived her of almost all the scanty seaboard she possessed outside the Arctic. All Russians, and not merely the Bolsheviks, are angrily resentful of this deprivation of fresh air. So long as Lenin and Trotsky can profess to be desirous of recovering for Russia her lost provinces, so long can they claim support even from their bitter opponents. Deprive them of the opportunity of posing as the champions of Russian rights and their strongest foothold will be cut from under them. For this reason I am in agreement with the views officially expressed by President Wilson, who says that the United States has never recognised the new Baltic States of Lithuania, Latvia, and Esthonia, and does not mean to do so. It must be obvious that these States cannot long stand alone, and although the Bolsheviks have made treaties with them, they will certainly try to conquer them when a favourable moment arrives. Poland and Finland are in a different category, especially Poland, for the Poles at least received a sweeping promise of self-government from the Grand Duke Nicholas. It may be said that the Allies are in honour bound to protect Poland, whose dependence is in effect guaranteed by the Treaty of Versailles, and by many more specific pledges. My answer is that under no circumstances can we go to war for the sake of Poland. In any case, the interest of France and of the United States in Poland far exceeds our own.

The broad view I take about the international situation is that it is time we stopped pulling chestnuts out of the

fire, and began to think about our domestic difficulties. We ought to cut all external entanglements, and to stop all our costly little campaigns. I repeat that we must begin to mind our own business. We ought to get out of Mesopotamia, which should be made into an Arab principality under some Arab Prince approved by the French Government. We ought to get out of Palestine, and cease to pretend that Palestine is or ever can be a Jewish State. The bond of Jewry is religion rather than race, and most sensible Jews recognise that they cannot have a dual nationality, with one foot in Palestine and the other in the country in which they happen to owe allegiance. We must get back to the old boundaries of our Empire. Our duty is to think of our industrial position, of the food we must get from across the ocean, of the intolerable burden of our national taxation, of the money we owe and cannot pay, and of the dangerous increase of unemployment and distress which we are certain to have in our midst in the coming winter. We have done enough crusading to last us for the next hundred years. We mean to have no more wars. And when Labour talks excitedly about direct action to stop war it is simply beating the empty air.

WHEN WILL LABOUR STOP FOOLING ? ¹

THE attitude of Labour towards the rest of the community appears to grow worse instead of better. I am not referring to the millions of industrial workers who wish to lead peaceful lives, but to those Labour leaders whose object seems to be to stir up continual strife and to throw the country into chaos. Is it not time to pause and to look at the situation frankly? Those well competent to judge believe that industrially we are going to have a very bad winter. It is considered that the percentage of unemployment will be much above the average, and may exceed anything known for some years before the war. The question I wish to ask is whether the menace which lies before us is not being accentuated by the bad economic policy of the Government on the one hand and by the inflammatory tactics of 'extremist' Labour leaders on the other.

There is one prominent factor which it is beyond the power of either the Government or of Labour to alter very much. I refer to the confusion and stagnation which exist in nearly every European country. If our external policy since the Armistice had been wisely directed in all respects, if the Supreme Council had made no mistakes, Europe would still have been weak and languishing to-day. The condition of the Continent would have been bound in any case to react unfavourably upon our industries. Apart from the foreign situation, which grievously affects our export trade, British industries are suffering from :

(1) Excessive taxation and far too much Government interference and control.

(2) Extremely high wages coupled with under-production, and sometimes with inferior craftsmanship.

The root cause of the second difficulty is that wages are now based upon an entirely new standard. They have ceased to bear much relation to the actual selling value of the commodity produced. The new theory is that an arbitrary standard of living may be aimed at without considering the

¹ August 22, 1920.

market value of the product of labour. I have the warmest sympathy with all efforts to raise the general standard of living and of comfort, but it is an aspiration which cannot escape the working of inexorable economic laws. What is to happen when labour costs so much that its products are priced on a scale which compels people to abstain from buying? The inevitable consequence must be a further increase of unemployment. We are approaching that position on our railways already. It is officially alleged that the recent heavy rise in passenger fares, which has caused so much outcry, is due to three causes—higher wages to railwaymen, the extra cost of coal, and the increased price of steel and other materials. These three causes are really one identical cause—higher labour charges. We may see the consequence before the winter is over. Traffic continues heavy during the holiday season, but in the end it may be found that railway labour is demanding a reward which the public who use the railways are unable to pay.¹ The point may be further illustrated by a reference to the newspaper printing trade, with which I am familiar. Partly owing to the high cost of paper, but also to heavy working costs, large numbers of struggling newspapers are reaching a point at which it will not pay to produce them. Experience shows that the selling price of newspapers cannot be periodically raised, and that the stage when sales decline through a continuous rise in price is very quickly attained. If Labour refuses to recognise this economic law we may see the weaker newspapers dying like flies, with a consequent spread of unemployment. A similar position is developing in many other industries. While many of the demands for increases of wages are based upon estimates of the cost of living, or even upon an indefinite but natural desire to raise the general standard of living, others have no such simple and honest basis. It is not now denied that the object of some Labour leaders is to keep on piling up demands for wages until our industries are irreparably wrecked. Such men preach and seek revolution through a preliminary process of destruction. It is their conduct which leads me to ask: When will Labour stop fooling?

In the *New Statesman*, the organ of the advocates of theoretical forms of Socialism, I find the following artless

¹ The deficit on the railways for the financial year ended March 31, 1921, is £46,445,411.

admission: 'The Trade Unions are swinging helplessly about, lacking in leadership, and in most cases asking for more wages largely because there is nothing else that they are quite sure that they want—at all events, nothing which they can formulate as a practical demand.' If this were all, we might smile, but this publication, which is understood to propound the gospel of Mr. Sidney Webb, proceeds to explain the conception of 'a practical demand.' It wants to see a serious attempt 'to work out, in relation to British problems,' not 'the dictatorship of the proletariat, but the control of Society by those who perform useful social service in the interests of the whole community.' I have quoted this passage because it is typical of the resounding phrases which are so constantly being tossed about. It might mean anything. For example, it might mean a Government of dustmen, a class of men who undoubtedly perform 'useful social service.' As a matter of fact, the 'control of Society' is already where it ought to be, in the hands of the whole community. It is estimated that over 21,000,000 people are now qualified for registration as Parliamentary electors, and if these 21,000,000 people have not got the Parliament they desire, it is within their power to change it at the appointed time. My observation is that when people talk of those who 'perform useful social service in the interests of the whole community' they are not usually thinking of the village carpenter, or the City clerk, or of the journeyman printer, or even of the modest dustman. The jargon is generally applied to the 'Big Three'—the miners, the railwaymen, and the transport workers.

Why these three bodies should aspire to control the whole country has never been made clear. The rank and file of their members seem to have no such wish, but many of their leaders appear to cherish this aim, and they are blindly followed. The miners, in particular, are being manœuvred by Mr. Robert Smillie and others into the untenable position of claiming to be a specially privileged and protected class, exalted above all other industrial workers. I am not criticising the miners. We all know that many tens of thousands of miners fought in the war, and that our land sent forth no more valiant soldiers. But Mr. Smillie and a few extremists associated with him are in a different category. Under the pretence of seeking to advance the interests of the miners

they are endeavouring to effect a revolution. Their wage demands, which are incessant and excessive, have become a mere pretext for efforts to destroy the stability of this country. That a man of Mr. Smillie's temperament, after his repeated failures to get elected to Parliament, should now be in favour of some other and more autocratic form of rule, apparently under the advisory guidance of Moscow, is not in the least surprising.

One result of Mr. Smillie's sinister influence upon the coal-mining industry is that in many of our ports, and especially in Liverpool, the dockers are working half-time, and thousands of seamen are unemployed. I am well aware that falling freights and the great influx of labour at Liverpool have been contributory causes, but it is not denied that the scarcity and high price of coal are foremost factors in the growing depression at our seaports. Mr. Smillie's tactics throw men out of work. If the threatened miners' strike really begins, Mr. Smillie will soon have caused a wholesale stoppage of industry and a prevalence of unemployment without precedent in the annals of our country. But I wonder if those who listen to Mr. Smillie's incendiary speeches, and who continue to back up constant demands for more wages in the hope of smashing the coal industry, have ever tried to imagine what would happen if Mr. Smillie and his friends were able to seize power. The fundamental fact about this country's political and industrial position is that we are mainly dependent upon imported food. Three mouthfuls out of every four mouthfuls of our staple foods are purchased from abroad; and the very first result of the success of Mr. Smillie's policy would be that millions of our people would starve. Why? Because a Government or any other form of controlling authority, headed by men like Mr. Smillie, Mr. Hodges, and Mr. Robert Williams would get no credit abroad. There would be an instant cessation of food exports to Great Britain. The exporting countries would demand cash on the nail, and they would not receive it, because Mr. Smillie and his friends would have wrecked the delicate machinery of international trade, which really depends on credit.

If Mr. Smillie were successful Great Britain would be starving in a month. As it is, we may have the utmost difficulty in financing our food imports in the coming season, partly owing to the wanton waste of our resources by the

Government, but much more as a result of the 'Go Slow' policy preached by many of the more extreme trade union leaders. The 'Go Slow' principle checks the volume of our exports, with which we pay for our food. The high prices placed upon our exports owing to the very large wages now paid are another handicap. Foreigners are less ready to buy at British rates. I regard with alarm the possible consequences of our excessive charges for the coal we sell abroad. We shall be lucky if the countries who sell us food do not serve us in the same way. I often wonder what would be our fate if the land workers of the United States, Argentina, and other countries which grow much of the wheat we consume, decided to adopt 'Go Slow' methods. Their production of food would quickly decline, and very little surplus would be left for export. We should not long be free from famine. It might be well for the trade unions to remember that the 'Go Slow' policy is catching.

The Labour cause has been very seriously damaged by the extremists, by the reckless preaching of revolutionary principles, by frequent wanton strikes and by the constant presentation of new demands, which threaten to kill all prospect of a real revival of industrial prosperity. I am well aware that there are numerous Labour leaders who are amply qualified for political power, but could they keep control? When innocent people talk of a Labour Government, they picture a Cabinet filled with men of the type of Mr. J. H. Thomas, Mr. Barnes, Mr. Henderson, and Mr. Clynes. Yet we have much reason to think that in practice the experiment would work out quite differently. The wild men would claim their share of authority, and would probably get it. Labour tends to swing to the Left, and the moderate men are dragged in the same direction. That is the experience of all countries, because there are fiercer jealousies and rivalries in the ranks of Labour than in any other political parties. In the older parties there is jealousy enough, but men succeed each other by natural methods; in the ranks of Labour men pull each other down. Until Labour stops fooling, and proves that it is out for the benefit of the whole nation and not for a few trade unions, it is not likely to realise its ambitions.

In expressing these views, I am by no means entering into a defence of the Coalition now in power. It would not be difficult to demonstrate that the present Government

have done much to injure and retard the recovery of that industrial and commercial prosperity on which our daily food depends. In particular, those misguided enthusiasts, Mr. Fisher and Dr. Addison, have been very mischievous. If Mr. Smillie is trying to hamstring our industrial system, these and other Ministers have loaded it with crushing burdens by causing a constant increase of taxation. I have repeatedly discussed the spendthrift habits of the present Government and the probable consequences unless there is a drastic change in the handling of the national finances. I will only say here that I am astonished beyond measure to find that, as was the case last year, the House of Commons has passed the huge Education Estimates without discussion.

In the House of Lords last month it was stated by Lord Lamington that in a Scottish parish with which he is connected the education authority's demand amounted to £240 in 1918, that it rose to £1,797 last year, and that this year the sum required was £3,100. There are only forty-five children in the parish, and apparently their education is now costing £70 a head. Such examples are by no means rare. I believe there are parishes in Scotland where education is now costing £170 a head. It would be cheaper for the authorities to send the boys to Scottish public schools like Fettes, or Loretto, or Glenalmond, rather than pay these exorbitant sums for primary education. Through such follies the Government are crushing industrial enterprises by excessive taxation, while at the other end of the scale Mr. Smillie and his friends are doing their utmost to bring our whole industrial structure to the ground. British industries cannot for ever survive the combined insatiate demands of the Government and of Labour. Not only Labour must stop fooling, but the Government also.

LABOUR'S WILD MEN¹

THE Labour Party has many merits, but nobody is ever likely to accuse it of possessing a sense of humour. What are we to think of the presidential address of Mr. J. H. Thomas at the Trades Union Congress at Portsmouth? It was full of resounding phrases and never once mentioned the word coal! Mr. Thomas was addressing the representatives of six million trades unionists, and he knew very well that the subject which most closely interested trades unions when he spoke is the question of strikes, and especially the threatened strike of coal-miners. Yet he talked about the Constitution and the Council of Action, about Russia and the Soviets and Mesopotamia and Ireland, about finance and food problems and some new 'central body,' and never once got down to the issue which concerns every industrial worker in the country. Was it because he knew that the bulk of the six million trades unionists, including no inconsiderable proportion of the miners themselves, are opposed to the attempt of the miners' leaders to throw millions out of employment? When so tremendous an organisation as the Trades Union Congress spends its first session in listening to generalities about everything but Labour, and then proceeds to discuss the question of licences for theatre managers, while the whole of the nation's industries are within measurable distance of a possible stoppage, I do not wonder that people are asking whether Labour is really fit to govern. A sense of humour might have saved the Congress from these solemn absurdities. But is not the whole issue presented by the threatened strike of the miners tinged with absurdity? The nations who look on must be laughing at the preposterous negative issue which is convulsing our country.

I may state the position thus :

(1) The miners propose to strike for a share of a sum of £66,000,000, which they say will accrue to the Exchequer from the sale of British coal abroad.²

¹ September 12, 1920.

² This figure proved to be largely illusory.

(2) The accuracy of their calculation is in any case questioned, but it is absolutely certain that if the miners go on strike there will be no £66,000,000, or any part thereof, either for the Exchequer or for anybody.

By their own act the miners will destroy the profits of which they claim a share. The stoppage will prevent us from selling coal abroad, and will eat up any profits already accumulated. Further, it is quite obvious that, after a prolonged strike, it will take months to accumulate any substantial stock of coal for export or other purposes. A strike would annihilate that very surplus about which the dispute arose. I should like to quote one more example of lack of humour among the Labour leaders. In a manifesto headed, 'Miners' Impregnable Case,' and signed by Mr. Frank Hodges, the secretary of the Miners' Federation, the following statement occurs: 'We are actually working at an average wage of less than 30s. per week per person employed. We are thus worse off than before the war.' My reply to that is: Ask any bookmaker, in any mining area, whether he agrees with this view that the miners are worse off than they were before the war! Ask the cinema proprietors, the drapery stores, the football gatekeepers, the organisers of charabanc rides, the salesmen of whippets and pigeons! I am pretty certain of their answer. If the miners have a case just now—and I fail to see that they have—Mr. Hodges and his like have ruined it by their pretence of championing the cause of the consumer. Nobody is fooled by such a move for a single moment. The over-cleverishness of the new recruits to the Labour Party, from Mr. Hodges to Sir Chiozza Money, does no good to Labour, and is miles apart from the habits of thought of British working men.

I should like to say just a word in passing about one or two passages in the presidential address of Mr. J. H. Thomas. There were some things in it with which I entirely agree, and a few things in it with which everybody agrees, though they have no special connection with Labour more than with the rest of the community. For instance, when Mr. Thomas says that he is against another war with Russia, he simply stands in line with the whole British public, who are resolutely opposed to any further war with any country. The same is true of the claim of Mr. Thomas for the 'complete independence' of Poland, which all desire, and of his tardy advocacy

of our retreat from our wasteful adventures in Mesopotamia. As for the ' Council of Action ' formed by the Labour Party, I have not been able to take it very seriously. It was a false move, and the Labour leaders know it. We all of us make mistakes sometimes, and the less said about mistakes which are repented the better. Mr. Thomas was naturally bound to gloss over this error in tactics, and when he says in effect that the Council is only a temporary eccentricity, we may as well leave it on its death-bed, for it will never have to take action against a war which no one wants. I do not even feel inclined to hold up my hands in horror because Mr. Thomas, who happens to be a Privy Councillor, suggests that he joined in challenging the Constitution. So far as I can see, this terrible ' Council of Action ' never challenged anything or did anything at all. Mr. Thomas is not the first Privy Councillor to say wild and rather empty things, nor will he be the last. But when Mr. Thomas declares that ' for the first time there was a united and determined working-class effort to challenge the existing order of Parliamentary Government,' there I also have a word to say. If the working classes are really challenging our Parliamentary system, which I take leave to doubt, I hope they will begin by challenging their own working-class members. It is notorious that the Labour members neglect their Parliamentary duties more persistently than any other party in the House of Commons, except the recalcitrant Sinn Feiners. There are, I believe, more miners in the House than representatives of any other specialised calling, and yet they exert little or no influence. The fault does not lie with the system, but rather with the men, who fail to make use of their opportunities.

Mr. Thomas says this will be a hard winter, as everybody can foresee. But what does he mean when he delivers himself thus : ' It is a sad commentary upon our social system that while all the world is requiring goods, food, clothes, and houses, the people who are willing to provide these things are prevented from doing so ? ' In the name of commonsense, *who* is preventing the people from working, unless it be the labour organisations ? Are the Government or the master builders stopping workmen from building houses ? Are the employers stopping men and women from making goods to be exported in exchange for the food we may soon so badly need ? Is anybody trying to stop the miners from

producing coal, except Mr. Robert Smillie, Mr Hodges, and their associates?

Owing to the efforts made by Mr. Smillie and his friends to check production, British railways are being deprived of the carriage of 45,000,000 tons of coal annually. How many engine-drivers and other railway workers are thus debarred from employment? The results of these baleful activities are traceable even in South America, where ships at Buenos Ayres are bunkering with United States coal instead of with the British coal which ought to be going across the ocean in exchange for food. The Argentine railways have been run almost entirely on British coal. In consequence, the British workers have benefited by the food we get in exchange, for immense quantities of wheat are grown in the Argentine country. Do the miners know this? Does Mr. Smillie see that, by his encouragement of the go-slow policy and of strikes at home, he is inevitably loading the dice against the British worker, who depends for his very life upon the constancy and abundance of foreign food supplies? The case is clearly proved by the predicament of foreign countries less favourably situated than ourselves in regard to coal supplies. I may quote Italy as a notable example. It is believed that the principal cause of the present troubles in Italy is lack of coal. Even at £11 per ton the Italians found it very difficult to obtain coal. In the last fortnight an experiment in 'peaceful Bolshevism' has been inaugurated in Northern Italy. The metal workers and others, whose pay was already abnormally high, demanded more wages. The employers could not grant the demand with coal at its present price, and thereupon hundreds of factories were seized by the workers. The workpeople are trying to run the factories, and almost immediately have come to grief. They cannot procure more raw material, and they cannot market their goods. Does British Labour want to see similar chaos in our own land?

When will the mass of moderates in the Labour Party check their wild men? I can conceive few more singular spectacles than was presented by the 'Parliament of Labour' last week. It was a Parliament in which nearly all the delegates, including some of the miners, were opposed to a strike based on 'direct action,' and yet everybody seemed to be afraid to speak. If the Trades Union Congress was secretly hostile to the miners' claims, the nation at large is openly

and emphatically against them. It believes and knows that the miners are handsomely paid to-day, and it repudiates the unconstitutional attempt of their leaders to fix coal prices. It has good reason to dread the aspiration of the miners' leaders to dominate the coal markets. It knows that if the power and the right to declare a decrease to-day were once conceded, the same power might be used to-morrow to force an increase. In the meantime Parliament would have allowed its authority to be superseded. To that the immense majority of the nation are unalterably opposed, and therefore I ask the plain question : Where are the wild men leading Labour ?

Those six thousand unemployed men in Portsmouth will be only a drop in the ocean of unemployment certain to be witnessed if Mr. Smillie and his colleagues have their way. And to what end ? Mr. Smillie declares that his ultimate object is to force the nationalisation of the mines, a proposal which Parliament declines to sanction, while this very Trades Union Congress voted four to one only six months ago against any attempt to enforce nationalisation by 'direct action.' The only form of nationalisation Mr. Smillie would succeed in accomplishing by his present move is the nationalisation of famine.

Here is a concise statement of what will undoubtedly happen if Mr. Smillie brings about a strike :

'We are dependent upon foreign sources for fully five-sixths of our bread supply. Producers abroad will assuredly not send us grain when they think that anarchy will prevent us from paying for it. Thereupon starvation for forty-two millions of people—the miners, their wives, and their children included.'

These are the words of Mr. H. M. Hyndman, a veteran member of the Social Democratic Federation. Mr. Hyndman fully endorses the miners' claims, in which I cannot concur ; but he says they should seek to attain them by political action, and that their present course can only 'shake our national, banking, and commercial credit to its foundations,' with the consequent stoppage of our food supply.

I would state the consequences even more strongly. If the miners, or any other great body of trade unionists, persist in the disastrous policy of strikes, the result will be starvation, not in a year or two, but now, within a few months. Should transportation break down, as it may, the results will be

immediate. There is no country in the world whose food supply is so vulnerable as is our own. There is no other powerful nation so exclusively dependent upon industries and so meagre in its internal agricultural supplies. There is no other land where a widespread industrial stoppage would so instantly mean empty cupboards in the homes of all, rich and poor alike. What all the might of Germany and her submarines was unable to accomplish, Mr. Smillie and his confederates would produce in a limited period. Whether he knows it or not, Mr. Smillie is following a course which must bring about a wholesale famine. That is the issue, and there is no other issue before the nation. The price of coal, a shilling or two more per shift, the question of nationalisation, all these are subsidiary matters. The real issue is starvation. Are the mothers of Britain to see their children lack food because Mr. Smillie and the rest of the wild men will not submit their nationalisation scheme to the votes of over twenty-one million electors, including all the working men and their wives? If the Trades Union Congress has not the courage to disagree with Mr. Smillie, then I think the issue will eventually be settled by the women of Britain. They know better than the men what lack of food will mean. They know what wholesale unemployment will mean.

It is generally agreed that the rather formal proceedings at the Trades Union Congress, and the almost equally formal interview with Sir Robert Horne, amount to nothing more than preliminary sparring. Whatever the voting at the Congress may have been, I am assured that the bulk of trade unionists do not seek a strike, and are eager to prevent it. The Government's offer to submit the wages issue to an Industrial Court is more than reasonable. I trust that the great mass of moderates will compel its acceptance, and so stop their wild men before they have brought ruin on the whole mass of genuine workers in the country.

THE DISASTROUS COAL STRIKE¹

THE disastrous coal strike, which is paralysing the industries of the country and throwing enormous numbers of men and women out of employment, was avoidable, and should never have been begun. We drifted into it, just as the nations of Europe drifted into the Great War, which was equally avoidable. It behoves us all to search for a way out as speedily as possible. There never was a strike which, up to the last moment before issue was firmly joined, seemed to contain so many factors favourable to a settlement without a trial of force. I will begin by enumerating a few of these factors.

1. In the first ballot, the result of which was declared on August 31, no fewer than 238,865 members of the Miners' Federation of Great Britain voted against a strike, which was presented on the ballot paper as a straight issue. The requisite two-thirds majority was only exceeded by 43,018. While it is admitted that many votes were cast by boys, it would appear that 58,353 members of the Federation abstained from voting altogether.

2. The second ballot was not upon the direct question of a strike, but upon the far more abstruse proposal of a datum line of output to regulate wages. The rejection of the proposal, announced on October 14, was more emphatic than the August voting, but 181,428 miners voted in favour of its acceptance, while 87,474 did not record their votes. These two sets of figures prove that opinion among the miners was very much divided.

3. Mr. Robert Smillie, with whom the strike movement appears to have originated in the Spring, changed his attitude at the beginning of October, and used his personal influence in favour of a temporary acceptance of the datum line proposal. It is also well known that some of the ablest of the miners' leaders were opposed to a strike.

4. This is not a strike in which the miners have carried public opinion with them, and they know it. The bulk of the

¹ October 24, 1920.

rest of the nation is ranged against them, and the opposition of the general public is telling very heavily in the scales.

5. The women of the country, including, it is believed, a large proportion of the miners' wives, have consistently opposed the strike; and in view of the huge number of female voters, this factor is of great importance.

6. The difference between the contending parties grew so small at the end that there should never have been any rupture. The miners asked for an unconditional advance of 2s. a shift. The owners, who were called in by the Government to negotiate, offered 1s. a shift if output was at the rate of 240,000,000 tons annually, and 2s. if it reached a rate of 248,000,000 tons. One week before the strike began the miners were producing at the rate of 242,000,000 tons. They had thus reached the shilling line, and only another shilling lay between the two sides. Such a small rift should not have been unbridgeable.

I mention these points to support my contention that the factors favourable to a settlement were many. These factors still remain, and it is the duty of all who have at heart the welfare of the nation and of our national industries to continue to explore the situation, in the hope of clearing the ground preparatory to an adjustment of the difficulty. I have no other object. In justice to the miners, I think it should be said that the datum line proposal had serious defects, and that probably many of them did not vote against it blindly. The very phrase is unfortunate. It is an engineering expression, and probably tens of thousands who voted had never heard of a datum line before. How often do these vital issues become wrapped up in technical phraseology! The broad difficulty of the datum line proposal was that it made the increase of wages dependent, not upon individual output, but upon mass output. It brought payment into relation to the total output of all mines, good and bad alike. Moreover, it made the wages of all persons engaged in the industry dependent upon the efforts of the hewers, who are said to number less than one-third of the total; and it offered no special attraction to the hewers. As a rough-and-ready solution it had merits, but it would be unfair not to recognise that the hostility it aroused, despite Mr. Smillie's advice that it should be temporarily accepted, was to some extent based upon admissible argument.

On the other hand, we cannot blind ourselves to the fact

that the miners' position eventually boiled down to a demand for the 2s. a shift on a relatively falling output without any willingness to guarantee better production ; and no amount of objection to the datum line can justify a strike which has plunged the country into chaos, and may lead to partial ruin. I see it is being urged that it is no use now to ' rake up ' the past history of this controversy, and that we should take the position as we find it. On the contrary, I hold it to be imperative that the public, who will really decide this issue, should understand clearly the earlier stages through which the present deplorable position has been reached.

The controversy began last May, and I think there can be no doubt that in its original form it very largely arose from the earnest desire of Mr. Smillie and Mr. Hodges for the nationalisation of the mines. They appear to have wanted to force the continuance of close Government control in the hope that it would develop into nationalisation. The wages question seemed then to be a convenient stalking-horse. It may be that Mr. Smillie thought at first to attain his purpose without a strike, but he did want nationalisation, although the Government and Parliament had emphatically pronounced against it. He said at Wrexham on August 23 that ' they were determined to have nationalisation,' and that ' they were in all probability face to face with a strike in a few weeks.' And a resolution in favour of nationalisation was passed. Mr. Herbert Smith, the Yorkshire leader, at once said that nationalisation should not be brought into the present dispute, and that ' it must come through the ballot-box.' I agree. On September 15 Mr. Smillie declared that the fight was ' not for nationalisation.' Nobody had ever said it was, but it is evident that originally nationalisation lay at the back of it. In view of Mr. Smillie's denial, I shall not here attempt to discuss the demerits of nationalisation, which is ruled out by financial considerations. If this strike continues very long the only national institution we shall require will be the Bankruptcy Court.

The wages claim was at first based upon a set of extraordinary figures which originated in the fertile brain of Mr. Hodges. He estimated that in the course of the next twelve months the surplus profits on coal exported abroad would amount to £66,000,000. These supposed profits were said to be accruing to the State, and were roughly the equivalent

of the excess profits duty paid by other industries. The Miners' Federation proposed that none of these surplus profits should go to the State, but that £27,000,000 should be devoted to paying the miners another 2s. a day, while £36,000,000 should be allotted to reducing by way of subsidies the cost of coal to the public. After weeks of unaccountable delay the Board of Trade demonstrated that Mr. Hodges' figures were all wrong, that the utmost possible surplus profits accruing to the State could not be more than £32,000,000 in the year under review, and that in all probability they would be very much less. I may add that they may now be nothing at all.

The proposal to reduce the cost of coal to the consumer was therefore dropped by the Federation, and the demand became a wages claim, pure and simple. Mr. Hodges said : ' It was monstrous that the profits of the industry should be appropriated to Government expenditure.' I may say that so long as the excess profits duty exists, it would be monstrous if the coal industry were exempted from its equivalent impost. Sir Robert Horne, the President of the Board of Trade, very effectively demolished the claim that the coal trade should contribute next to nothing to the Exchequer, while all other industries were sharing the burden. He pointed out that none of the surplus profits went to the coal owners, and that if the miners' claim was allowed, the cotton workers and the wool workers, and all other workers would be entitled to claim for themselves as the product of their labour the enormous sums paid by their industries in excess profits duty. In the last month we have heard little or nothing of the calculations of Mr. Hodges, or of the astonishing basis of the original claim of the miners. The whole controversy changed into a confused wrangle about the cost of living ; but the reason why I have recalled these facts is that they are in danger of being forgotten.

I regard the excess profits duty as the principal cause of the decline of our industries, and there are signs that it will automatically cease ; but it should be clearly understood that the miners' demand was that a portion of the revenues of the State should be diverted to their own pockets, under conditions which no other industry was to be permitted to enjoy. Had the Government yielded to a demand advanced in such a form, it would have abdicated its authority. The

only palliating circumstance which can be advanced in explanation of the demand is that before the war, in some coalfields, wages were adjusted on a sliding scale based upon the selling price of coal. Supposing there had been no strike, how could the claim of the miners for another £27,000,000 have been met? The only feasible way is by increased production, which they refuse to promise. The Prime Minister pointed out on October 14 that 'recent increases in wages have been followed almost automatically by a reduced production.' The only alternatives are a further increase in the price of coal to the home consumer, or increased taxation; and the Budget already includes an expenditure item of £15,000,000 under the heading of 'Coal Mines Deficiency.'

The unhappy consequences of the strike are being felt throughout the world. It has dismayed both France and Italy, whose peoples are already incensed at the high prices charged them for British coal. In our own land we see the smoke of factory and mill chimneys disappearing, iron and steel furnaces damped down, our ports thronged with idle shipping, our streets steadily filling with unemployed. Countless homes are plunged in gloom because the men of a great industry have given a vote upon an issue which many of them were unaware meant a strike. Is it worth it? Is such a strike worth while? I cannot but believe that when the miners reflect upon the disapprobation their action has received, and when they realise the appalling misery it is causing, they will see the position in a different light.

I have tried to show that this strike had a factitious origin; that it began with the dreams of nationalisation in the minds of some of the leaders; that it was fostered by a belief in calculations of profits which were doubtless sincere, but were largely erroneous; and that in its earlier stages it was based upon a demand to override the Government's decision about the allocation of the national revenues, which was wholly untenable. It is a strike about the expediency of which the miners themselves have been much at variance, while some of their leaders have joined in it with sad and reluctant hearts. That the bulk of the public have rallied to the support of the Government is natural enough. Many of the miners cannot see beyond the two shillings, which they were told they ought to have. The general public are compelled to look at the issue from a different standpoint. If

force can extort from the Government what cannot be gained by fair negotiation, there will be an end of all government in this country. The Miners' Federation was offered the independent arbitration of their claim by the Industrial Court. They refused the offer. Why? Other great industries have taken their claims to the Court, and have had no reason to regret the step. Why need the miners adopt a different attitude? The ravages of such a war as that from which we have emerged, nominally victorious but in reality prostrate, can only be repaired by the strenuous efforts of the whole nation striving in unison, such efforts as I have recently seen put forth in France and Belgium. A very few weeks of such a strike as this will injure our national life to an extent which may well be irreparable.

This is no battle between Capital and Labour. It is a conflict between a single industry and the State, and the State dare not lose, for if it did it would perish. But no one wants to talk of victory or defeat in this matter. A 'victory' which left an open sore would be more disastrous than the strike itself. There is no personal hostility against the miners, but there is the strongest opposition to the course they have adopted. I shall say nothing here of the regrettable threat of the railwaymen's delegates to order a sympathetic strike of their members, because I am dealing solely with the miners' claim. The hopeful feature of the situation is that, in spite of the character it has assumed, in reality it has been stripped of its adventitious wrappings, and at the moment it appears to be a wages claim and nothing more. There is no wages claim which is not capable of fair and reasonable adjustment. It has been said that this strike cannot now be hastily mended, that the miners are certain to remain out for several weeks, and that the conflict must run its course. I do not credit these assertions. Given goodwill on both sides, a way out should quickly be found. Many influences are fortunately at work to bring about a settlement. The need is urgent, but it should be a settlement which will leave no bitterness behind.¹

¹ The coal strike lasted from October 16 to October 28, 1920, and inflicted on the country almost incalculable economic injury, which reacted on the miners themselves.

THE UNKNOWN WARRIOR'S BURIAL¹

THE symbolical character of yesterday's ceremony in Westminster Abbey [November 11, 1920] has made a profound appeal to the hearts of the British people. It has led the whole nation to grasp afresh the tremendous character and consequences of the Great War. More than all, it has recalled us to a deeper sense of the debt we owe to those who gave their lives for our freedom and security. It has made us think once more of the noble visions for the fulfilment of which the youth of our country died. Did they die in vain? It rests with those who are left and those who will come after us to see that the question is rightly answered.

When the Armistice came there was a general disposition to thrust into the background the memories of the war and all that it involved. Even the march of the returning troops through London never stirred the public as yesterday's solemnity has done. We see the Great War now with clearer vision than was possible two years ago, when its echoes were still resounding. We know that we cannot put it into the background. The dead are with us in spirit, and the war still affects almost every act of our daily lives. So it must always be with this generation, and the next also, and perhaps for many generations to come. The war set in motion a series of events and tendencies which may determine the course of history for centuries. I believe it has drawn us closer together as a people, and has left us sound at the core. It has certainly linked us more closely with the Overseas Dominions. The outbreak of hostilities found us unprepared, but we stand to-day, in matters of defence, a far more powerful Empire than we were in 1914. I further believe that the war has left the essential political sanity of the British race unimpaired and perhaps even intensified. There is no need to dwell here upon current industrial strife. We knew it was coming, that the old order was changing, that 'destiny was knocking at the door.'

We were unquestionably on the threshold of grave

¹ November 12, 1920.

industrial unrest in 1914. Germany knew it. Our domestic difficulties were one of the factors upon which she calculated. She thought they would keep us out of the war. She was grossly wrong, and when the dust of present controversies has blown away, it will perhaps be recognised that one result of the war has been to make smoother the rough path of new social and economic adjustments. Most people do not think so now, but the future historian may perceive that the terrific experiences through which we have passed are making it easier to effect changes without violence or permanent bitterness or a hopeless cleavage. The last few weeks have contained elements of strain, but I am satisfied that they reveal for us a very hopeful side. We have seen that the nation is too sagacious to enter upon a period of suicidal destruction. The fabric of our institutions might have been shaken far more severely had we drifted into a social upheaval in 1914. The war is thought to have stimulated violent methods, but I am inclined to think it has really engendered caution. The prostrate nations around us have been a very visible warning. The men whose valour won the war are not going to see their country wrecked. If the British people had to depend on themselves alone, I should have no fears for the future. There are many signs which show that we shall pull through all right. Supposing we could fence in these islands and suffice unto ourselves, the outlook might be faced without apprehension. But we know we cannot do so, and there lies the darker side of the picture. We are unable to ask how we stand after two years of peace without also asking how other nations stand.

For us one of the greatest consequences of the war is that it has permanently broken down our insularity. It has taught our people to look abroad over Europe and over the whole world. Millions of our men have come back with a new horizon of the mind. They have a new conception of our national existence. They see that we are not an isolated race, and that Europe is not a collection of nations shut off from each other by invisible frontiers. Foreign affairs are now discussed by millions with an interest and a knowledge never possible before. The nations of Europe are interdependent. If one or more great peoples are economically and socially sick unto death, the rest all suffer. Our own salvation depends upon the salvation of the peoples of the

Continent, and some of the Continental peoples are in desperate straits. I have lately been travelling a little in other countries, and have come back with a very vivid sense of the economic stagnation of Europe. There can be no quick return of prosperity to Great Britain unless Europe revives, and I have seen very few signs of real revival. The trade of the world, which is the material basis of our modern civilisation, is not recovering, but is slowly declining from financial and economic causes into which I will not enter here.

There is, however, one aspect of this fundamental issue which may fittingly be expressed on the morrow of that great ceremonial, the thought of which fills our minds. The greatest need of the world to-day is peace. By peace I do not simply mean a stoppage of the firing of guns and rifles, and of the marching and counter-marching of troops. These things are done with. If the Great War did nothing else, it has implanted in the minds of great masses of the people in all lands a horror of war. The present generation will not lightly leap to arms again, at any rate for a war of nations. I am thinking rather of that deeper peace which plucks bitterness out of the heart. It may be hard to attain, perhaps it will even prove to be impossible, but I am convinced that it is the only alternative to general decay. Let there be reparation and restitution, but no more rancour. Justice must still be done, or the innocent may suffer, but there must be an end of the fierce international jealousies and hatreds which are tearing Europe asunder.

This is not a political article, and I have no intention of mentioning specific examples. My meaning will be plain enough to those who have watched the atmosphere of suspicion and ill-will, of mutual fear and mutual accusation, which still envelopes the Continent. Some of the European nations are nearly moribund. They are in danger of falling into chaos, for they can neither buy nor sell, and nowhere, not even in these islands, has the real march begun towards recovery from the disintegrating impact of the war. I see statesmen squabbling over points which are trivial in comparison with this great possibility of world-collapse ; soldiers and seamen talking as though war is to be henceforth the principal purpose of our lives ; and little men bickering everywhere about dead issues, and fanning hatreds which

should be buried for evermore. Will they not see that the world has still to be saved, the world for which the flower of our young manhood died? The prelude to economic salvation must be the suppression of thoughts of hate and revenge, and the substitution of a spirit of toleration, in the hope that it may deepen into trust. Can we learn no lesson from the Unknown Warrior? There was no passionate vengeful hatred among the men who fought. It was no soldier who wrote the shameful 'Hymn of Hate.'

In these contentions I am making no special allusion to Germany, or to feelings which may exist about the Germans, or to the attitude which the Germans may adopt towards us. My point of view is more general. Germany may be the heart of the problem, but the tendencies I have noted are widespread. In our two years of peace we have established no genuine peace. The position of the Western World is far more dangerous to-day than it was at the Armistice. Very little time is now left in which to avert the economic disasters which threaten civilisation, and nothing can be accomplished unless there is first a change of heart and a clearing of the eyes. We stand in a firmer position than most other nations, but our advantages will not benefit us if the others sink. Our position is only relatively good, and it must deteriorate if the policy of our rulers remains thick-sighted. Even the economies which are still to seek cannot save us should the rest of Europe suffer an eclipse. It is right that we should keep green the memories of the Great War, not in arrogance, but in thankfulness and in pride of the prowess and the sacrifice of our dead. The Unknown Warrior went forth armed and militant, but from his ashes there rises a message of peace. The task he died in performing is not yet finished. I repeat that the world has still to be saved,

FINANCIAL GHOST DANCING¹

AT last there are signs that the nation is becoming dimly aware that we stand on the brink of a financial abyss. The provincial municipal elections were a sharp warning that the ratepayers are alarmed at the swift rise in the local rates. They have every cause to be alarmed. Unless Dr. Addison and Mr. Fisher are (metaphorically speaking) lassoed and pulled off their high horses the rates will rise everywhere to 40s. in the pound, and even more. But though the ratepayers are awake, do the Government see the abyss which lies before us? I am unable to detect the smallest sign that they are preparing to cut down expenditure to a degree which will save the country from ruin. It is universally admitted by experts that one of the first steps necessary for our financial salvation is to reduce our enormous floating debt, which now amounts to £1,333,000,000.² In his Budget statement Mr. Chamberlain proposed to reduce the floating debt by £70,000,000 this year (1920-21), which was like trying to lower the level of the ocean with a bucket.

This is the period when the departments begin to prepare their estimates for the next Budget. Unless a drastic change is made in the mentality of the whole Administration the next Budget will be a Dream Budget, as the last was. Little reductions here and there will no longer suffice. There must be huge wholesale cuts, beginning with the Army and the Navy. Our foes are scattered, no hostile fleet challenges us upon the seas, and yet our generals and our admirals are talking and acting and spending as though we are about to be confronted by a world in arms against us. If we live much longer in an atmosphere of Dream Budgets our leaders will awaken to the black reality of bankruptcy. Now—now, when the estimates are first being thought of—and not next year, when the Chancellor presents a deluded House of Commons with his calculations cut and dried, is the time to force the

¹ November 21, 1920.

² On May 7, 1921, the floating debt amounted to £1,301,561,000.

Government to adjust their policy to a revenue which can be collected without paralysing industry and plunging the taxpayers into despair. Now is the time to rouse public opinion. That is why I begin again my campaign in favour of ruthless economy. Captain Guest, the Coalition's Chief Whip, has just been sententiously telling the country that 'expenditure is determined by policy.' I invite the Government to adopt a new and imperative maxim, and to tell the country that in future policy will be determined by revenue.

Let me give an illustration of what I mean. I have been calling attention for more than a year to our costly adventures in Mesopotamia and North-West Persia, where we now have an army 101,000 strong.¹ The time is certainly coming when the taxpayers will bring the Government sternly to book for these wasteful enterprises, which they refuse to abandon. Meanwhile I ask: What about Palestine? Mr. Balfour, as Foreign Secretary, but without consulting Parliament, wrote a letter on November 2, 1917, in which he said that the British Government favoured the establishment in Palestine of 'a national home for the Jewish people,' and would do their best to help. A great number of entirely extraneous things have been read into this innocent letter. A British and Indian garrison in Palestine 18,000 strong, which costs the British taxpayer £7,320,000 annually, and probably far more, has been read into it.² Such arbitrary developments without the sanction of the nation are the absolute negation of representative government. The Zionists of all the world are free to build up 'a national home' if they wish, but not at our expense. Many gallant, able, and patriotic Englishmen who happen to belong to the Jewish faith object to the whole Zionist enterprise. They say that Judaism is a creed and not a nationality, that they cannot divide their temporal allegiance, that they cannot belong to one nation in London and another in Jerusalem. The Jews of both parties must settle this dispute among themselves. I take no sides. All I say is that as it is now two years after

¹ The estimated strength of the Mesopotamia garrison on April 1, 1921, was 76,900 of all ranks on the establishment, but the actual 'ration strength' was more than double this number.

² The estimated strength of the Palestine garrison on April 1, 1921, was 7,700 officers and men.

the war, the Government must decide their future Palestine policy, and tell the British taxpayer whether they expect him to pay £7,320,000 annually in perpetuity to keep a garrison in Palestine. If they do cherish such an expectation, then we must get another Government, for we will not be taxed for the Zionists. There are no two ways about it. The Zionist suggestion that we must keep 18,000 or 10,000, or 1,000, or even a corporal's guard, in Palestine for the defence of Egypt, is nonsense.¹ Mr. R. H. Brand, in his able address to the Brussels Financial Conference, said that any large reduction in the expenditure of Governments can only come 'from a change of policy, a determination, so far from extending, to diminish the sphere of Government activity.' I entirely agree, but our own Government are incessantly and wantonly enlarging their activities. Week after week in the House of Commons we see new measures designed to pile up expenditure, expenditure, expenditure. Again by way of illustration, I may take the case of Dr. Addison, the Minister of Health,² whose purpose seems to be to break down every barrier erected in the past against the extravagant outpouring of public money. Half the clauses of that Sancho Panza's stew, the Ministry of Health (Miscellaneous Provisions) Bill, were hurriedly withdrawn by the Government after a storm of criticism, but the worst clauses still remain. I will quote one example out of many. By a most prudent enactment, county councils have to get Parliamentary sanction if they want to borrow in excess of one-tenth of the annual rateable value of their county. Dr. Addison now proposes to abolish Parliamentary control over county council indebtedness and to make himself the sole arbiter. Why? He says in Command Paper 1,029 that county councils must borrow more, owing to 'their work at the present time in connection with tuberculosis and other matters.' But why, for tuberculosis or anything else, should Dr. Addison be allowed to destroy the authority of Parliament and substitute himself? The new Public Health (Tuberculosis) Bill explains the mystery. Under this amazing measure Dr. Addison proposes to compel county and borough councils to make provision for sanatoria

¹ The estimated military expenditure in Mesopotamia and Palestine for the financial year 1921-22 is £28,206,500.

² On April 1, 1921, Sir Alfred Mond was appointed Minister of Health, and Dr. Addison became Minister without Portfolio.

and tuberculosis 'village settlements' and whatnot all over the country; and if the councils fail he will do the work himself and recover the cost from the ratepayers as a 'debt due to the Crown.' Thus do our Ministers try to become uncontrolled taxmasters. Now do you see the meaning of that unnoticed little nine-line clause in the Ministry of Health Bill? Dr. Addison is actually attempting to substitute his own authority for that of Parliament in order to provide unlimited powers for county councils to borrow money to carry out a Bill which has not even been discussed in the House of Commons! Nor is this all. In the Tuberculosis Bill he also desires to enact that money borrowed for its purposes shall not come within the prescribed limitation of borrowing powers. He wants to have it both ways, and is prepared to destroy any checks on expenditure to carry out his own vast schemes. Could contempt for the Legislature and the public, could utterly unwarrantable procedure, could the wildest freaks of squandermania go farther than this? When will the House of Commons deal firmly with Dr. Addison? The financial side of the Tuberculosis Bill would have disgraced the Tsardom. Read in conjunction with sub-clause 6 of Clause 18 of the Health Bill it places Dr. Addison above Parliament and the Treasury, and one might almost say above the Crown.¹

Mr. Fisher got his Education Bill through when no one was looking. We shall be more wide-awake in future. I would support any reasonable and efficacious measure for dealing with the ravages of tuberculosis in this country; but illuminating testimony from Newcastle and elsewhere shows that to a great extent the sanatoria have failed and that much of the money already spent has been wasted. This kind of thing is going on in every branch of the administration. There are hundreds of similar examples. Every Minister is constantly punching secret holes in the national money-bag, and out flows the money which ought to be used in reviving trade and industry, and thereby in providing work for the unemployed.

Mention of unemployment leads me to turn to larger

¹ The Ministry of Health (Miscellaneous Provisions) Bill was thrown out by the House of Lords in December 1920. The Tuberculosis Bill was reintroduced in a modified form in March 1921.

questions, for the problem of the unemployed is really international. Professor Gustav Cassel, in a memorandum to the Brussels Conference, has roundly declared that 'the whole Continent is insolvent,' and I fear he is right. He dwells upon the consequences of the constant increases of the floating debt and of paper currency in all countries, and says that they constitute 'a most formidable danger for the preservation of civilised society.' He warns Europe that a prolonged process of 'inflation' will mean 'a progressive falling into pieces of all organised life and of the moral forces which are its foundation; actual starvation for large classes of the population; growing unrest; and, ultimately the complete catastrophe when the food producers altogether refuse to take the depreciated paper money in exchange for their products.' In simpler words, what is going to happen when the nations of Europe can no longer find the means to buy wheat from America and elsewhere ?

If you want to know why unemployment is increasing, look at the international exchanges. These exchanges are the barometer which registers the contact between nations. At the time of writing, the exchange value of the French franc for our depreciated pound sterling was 58 francs instead of 25. The Belgian franc stood at 55 instead of 25, the Italian lira at 99 instead of 25, and the German mark at 294 instead of 20. The rates have since improved, but they go up and down like an eggshell on a fountain jet. People continue to think that by some mysterious process the old exchange values can be restored. For most Continental nations that can never be. The pre-war parities have vanished for ever. The utmost we can hope for now is the stabilising of new values. Until the exchanges are stabilised it is useless to talk very much even about production. Merchants and manufacturers in this country cannot make effective contracts while the exchanges vary so wildly. Even with steady exchanges the outlook would continue grave. A more formidable factor remains behind. The world to-day is too poor to buy. It is of no avail to make things which cannot be sold. That is why unemployment will continue to increase unless conditions improve.

When the war ended everybody thought there would be a steady continuous expansion of business. The urgent needs of both belligerents and neutrals caused a demand which

created an illusory Boom. The Government fed the Boom with paper money and an enlargement of credits. Mr. Chamberlain's fantastic Budgets were based upon his mistaken conception of the Boom. His taxes were Boom taxation. The Boom has burst, the dream is shattered, but the Dream Budgets continue and the Boom taxation grows larger, and the Boom standards of public expenditure continue to expand.

Somewhere near the Rocky Mountains there is a tribe of American Indians which practises the 'ghost dance.' The dancers cover themselves with white cloaks, and their 'ghost dance' is meant to signify that a new era is at hand and that all the elect will quickly attain great affluence and power. These ecstatic gyrations have been practised for over thirty years, and no new era ever dawns, but the 'ghost dance' still goes on. In their handling of the nation's money the Government have been engaged in financial ghost dancing. They, too, clothe themselves in white sheets, protest the purity of their motives, tell us of the good times that are coming, and—drain the lifeblood of the country's industries.

There is just a chance that amid the financial wreckage of Europe Great Britain might recover some sort of financial stability. Impartial experts agree that in this country a moderate reduction of prices might restore parity between the gold sovereign and the paper pound, and even re-establish the old dollar exchange. If this were accomplished Great Britain might still stand four-square to all the winds of heaven when the general crash comes. But an essential prelude must be the cutting of all forms of public expenditure by hundreds of millions, the funding of the bulk of the floating debt, and the gradual contraction of the paper currency. What is the only alternative? Slightly to paraphrase the words of Mirabeau to the French Assembly in 1789, the alternative is: 'Bankruptcy, hideous bankruptcy! It threatens to engulf you, your property, your honour—and you squander!'

Mr. Chamberlain taunted me on April 19, 1920, in reply to my remark that 'two more such Budgets may mean our extinction as an Empire and a Great Power.' He retorted that 'twenty such Budgets would redeem the whole of our debt.' My rejoinder was that Great Britain could not stand two more such Budgets; that we may not be able to stand

one more ; and that the yield of taxation would decline. My words are coming true. Witness the gradual collapse of the Excess Profits Duty¹ and the steady decline of our industrial welfare, due before aught else to the impetuous extravagance of the Government.

¹ The Excess Profits Duty was dropped early in 1921.

LESS THAN 800 MILLIONS YEARLY— OR COLLAPSE ¹

Mr. Reginald McKenna said in the spring that this country could not now raise more than one thousand million pounds annually, or words to that effect. I have the deepest respect for Mr. McKenna's knowledge and experience in these matters, but I hold that his estimate of the revenue-producing capacity of Great Britain is far too high. I believe we are entering upon a period when it will be impossible to raise a revenue of more than eight hundred millions at the most, and that if the Government try to exceed that figure collapse may follow. Conditions have changed since Mr. McKenna stated his view. The last traces of the Boom have vanished, and we are confronted with a situation in which our trade and commerce are lapsing into stagnation. I do not feel certain that even a revenue of eight hundred millions can be collected with safety. We are all to some extent dependent on the information furnished by the Government spokesmen, who are sometimes grievously wrong. Witness Mr. McCurdy's statement on May 6, 1920, that there would be a reduced world crop of wheat and 'a consequent rise in price,' and that sugar would remain very dear and scarce. About the same time he even talked of a renewal of rationing, and his conclusions misled everybody.

In previous articles I have endeavoured to explain how the fluctuation of the international exchanges, and the inflation of the paper currency and of credits in all European countries, are reacting upon trade and industry. It is, however, universally admitted that the chief cause of the increasing paralysis of Europe is the enormous expenditure by Governments. This explanation is specially true of our own Government, whose amazing squandermania has appalled and bewildered the whole world. The time is at hand when it will be no longer necessary to preach economy in Government expenditure. The process will soon be automatic, for

¹ November 28, 1920.

we are nearing a crash which can only be averted by reductions on a scale which will leave our Addisons and our Fishers aghast. A prudent Chancellor of the Exchequer would now be looking ahead, trying to discern the probable trend of world-trade, and seeking to appreciate the probable financial position of this country, not only in the next four or five months, but during the next four or five years. He would endeavour to make up his mind about the prospects which lie before us, and would tell his colleagues that both expenditure and policy must be adjusted to the coming conditions. He would insist that the Estimates must be so framed as to keep us solvent. Mr. Chamberlain says he has 'no time to think.' The bleak facts about to be disclosed will be an inexorable substitute for any processes of thought.

The yield of income and super-tax in 1913-14 was £47,249,000. The estimated yield this year (1920-21) is £387,000,000. Does anyone suppose that this huge figure can be maintained much longer? If any do, they are blind to the warnings writ large throughout the world. The gross income brought under review for income-tax in 1913-14 was £1,167,184,229. In 1918-19 the estimated total was £2,290,000,000, or almost double. It is reasonably certain that except in cases specially favoured, incomes liable to income-tax will gradually tend to revert to a figure not greater than that of 1913. The tendency is already at work, as any inquirer can ascertain. I am specially sure that most incomes derived from investments will within the next five years sink very much below the 1913 level. We have only to look at the present fall in prices of such staple commodities as cotton, wool, copper, wheat, maize, rubber, and tea, to see what is likely to happen. Simultaneously there is a rise in the value of money, while the cost of transport is artificially high, and is likely to continue so. The big fortunes made during the shipping boom are melting like snow in spring. So are many other fortunes made during the war, a large number of which had only a paper value. I doubt whether more than one-sixth of the new squirearchy, into whose hands so large a proportion of rural England, and still more of Scotland, has passed, will be found maintaining their estates ten years hence. On every side business undertakings are slowing down. International conditions are one of the causes, impossible increases of wages, coupled with shorter

hours, are another, but the fundamental reasons are excessive taxation and the great rise in local rates.

I consider that the next Budget should be framed with a clear realisation that the amount of income available for income-tax may decline in the near future to somewhere about the 1913 level. I further venture to state that even when rigid economy is observed, it may be necessary eventually to raise the standard rate of income-tax as high as 10s. in the pound. I beg my countrymen to look ahead, and to repudiate with the utmost sternness Ministers like Dr. Addison and Mr. Fisher, who say that 'This must be' and 'That must be,' diplomatists who hint that we may have to fight in Asia Minor to sustain a foolish Turkey Treaty, and madmen who keep huge armies in Mesopotamia and Persia, in Palestine and Egypt, which we cannot possibly afford. I have mentioned Collapse, but there is a grimmer possibility which lies behind, and that is Revolution. There is no race less likely to engage in Revolution than the British, but we had one once, and it was about finance and taxation. Mr. Henry Higgs, in his admirable studies of the French Revolution, says that among the causes of that great upheaval 'vicious finance takes the first place.' Mr. Higgs is a Treasury official, and he has had the courage to recommend an 'Efficiency Audit' of public expenditure. His suggestion should be explored without delay.

Unless the Government reduce their present expenditure to the level I have suggested they may be forced to resort to the alternative of printing more paper money. Such a course will be suicidal. It will be equivalent to financial drug-taking, and will lead to national death. Whenever Governments have turned to the printing-press to relieve their financial straits disaster has followed. The French in 1789 issued paper money, called *assignats*, to the value of 400,000,000 francs. They found they could not stop. In six years the *assignats* had reached the then incredible total of 45,500,000,000 francs, at which stage they became absolutely worthless. Paper money breeds strife. It is not generally remembered that after the Declaration of Independence the United States actually had a minor civil war over the claim of States to issue paper currency. It was this outbreak which led to the framing of that great instrument, the United States Constitution.

When I insist that our expenditure must not exceed £800,000,000 I am in good company. Mr. Chamberlain's estimate for a normal year, submitted only thirteen months ago, was £808,000,000. The war ended more than two years ago. Next year must compulsorily be made the normal year.

'The first thing to be done,' said Mr. Paul Warburg, the American banker, 'is to deflate our ideas.' We must withdraw our forces completely from the Near and Middle East, leaving only a sufficient garrison to guard the Suez Canal, our one link with India and the Farthest East. If the Greeks want Constantine back again as king, we ought not to thwart them. I think they are making a bad choice, but the people of this country will not fire a shot about Greece or any Balkan or Mid-European minor State. We mean to drop the war habit. We are a victorious nation, we have fought and won the war which was to end war, and we are still devoting more than 20 per cent. of our immense expenditure to military and naval purposes. This folly must end. The Standing Army should be reduced next year (1921-22) to 150,000 men, half of whom will furnish the British garrison in India. This will be 88,000 fewer than in 1914, and it will be ample for our purposes if we mind our own business, and stop trying to run all Europe.¹ The personnel of the Royal Navy should be reduced to 60,000 men, which is roughly about 40 per cent. of its pre-war strength, but is 3,000 more than in 1885, before the mad race in naval armaments began.² We built against the German Navy. Where is that Navy to-day? Yet I hear that our infatuated Admiralty are so oblivious of the financial situation that they are actually dreaming of a new shipbuilding programme, with monster battleships which would be like sitting partridges for the first improved submarine which comes along. The Air Force should not exceed 20,000 men, and for £10,000,000 annually we might get the finest Air Service in the world.³

On the civil side most of the new Ministries should be abolished, and the rest reduced to a status in keeping with

¹ The authorised strength of the Army for 1921-22 is 341,000 all ranks, exclusive of the British garrison of India.

² The authorised personnel of the Royal Navy for 1921-22 is 123,700 of all ranks.

³ The authorised strength of the Air Force for 1921-22 is 30,880 all ranks, and the estimated cost is £19,000,000.

the impoverished condition of the nation. I really think that in the matter of creating new Ministries we went crazy during and after the war. The United States, with a population of over one hundred million people, is administered by ten Ministries, the last of which, that of Labour, was created in 1913. We have ten more Ministries than we had in 1914. France has only three. The Ministries of Food, of Munitions, and of Shipping should disappear at once. The staff of the Ministry of Transport, which includes thirty posts at over £1,000 a year, should be immediately overhauled. A stronger case than has yet been put forward is needed to justify the continued existence of this Ministry. The Ministry of Food has now no other object than to keep up prices in order to make good its own enormous losses, which had better be cut. The Ministry of Munitions should hand over the remainder of its work to a less pretentious Disposals Board. The Ministry of Shipping has become superfluous. The Ministry of Pensions should be reduced in size, and need not be a Ministry at all. The Ministry of Labour should become a branch of the Board of Trade. The sham Labour Exchanges should be closed. It is not necessary to say much about the Ministry of Health. Under Dr. Addison it has been brought well on the road to self-destruction, and in the normal year there will be no room for fifty-two medical officers at £1,100 a year at its headquarters. The very name of the Ministry of Health is misleading, and is used as a cloak to cover the most inordinate demands upon the Treasury. We shall have to go back to the old and more correct designation of the Local Government Board. The Ministry of Agriculture should become a humbler Board, as in the old days. The Overseas Trade Department seems likely to find its occupation gone. We cannot afford such a luxury as a Minister without Portfolio at £5,000 a year. All sinecures should be abolished, beginning with the Lord Privy Seal and the Chancellor of the Duchy of Lancaster. It must be remembered that with the abolition or reduction in grade of these Ministries a whole group of expensive Parliamentary Secretaries would disappear.¹

As to the Board of Education, it is quite obvious that five years hence the country will only be able to find funds

¹ The Ministries of Food, Munitions, and Shipping have now been absorbed in other departments.

sufficient for a system of free primary education. Those who want to give a more advanced education to their children will have to defray the cost themselves. I am well aware that this statement will cause an outcry. I am not discussing here the merits of education, but cold grim inexorable facts about finance and possible collapse. In any case, the current educational records, which I have been studying of late, contain very little talk about education, but are as full of money talk as the Chicago Wheat Pit. Salaries and administrative expenses will kill our present educational system. Not only this country, but nearly all the countries of the world, will soon be unable to pay for more than good primary education. Mr. Fisher is an admirable man, but he ought to have been brigaded from the outset with someone who kept his finger upon our financial conditions. He would then have been spared many illusions, and might have been saved from his ultimate fate, which will be to go back to Sheffield with his rose-coloured spectacles broken.

I must postpone until some future occasion further consideration of the problem of local taxation ; but I may point out that if some of the reforms I have indicated are carried out, local taxation will automatically fall. The criticisms I have made are not destructive, but constructive. The process of destruction is being wrought by the enormous volume of national expenditure, which I seek to check. Unless we adopt the most drastic measures with extreme promptitude, the day must come when the ruins of this great Empire will be added to the wreckage of empires with which the world is strewn. There is one remedy in sight, and one only. The nation must take the Chancellor of the Exchequer at his word, must put an end to squandermania, must insist that next year shall be the normal year, and must compel him to stick to his own calculation of £800,000,000 or thereabouts.

THE DAY OF RECKONING¹

THE debate to be held in the House of Commons to-day [December 9, 1920] raises issues which now surpass in magnitude those for which we entered the war. The dementia which overtook our rulers at the Armistice seems likely to bring about our ruin. How shall it help us that our arms were carried to victory, if the fevered squandermania which followed success in the field drags us down to national bankruptcy? For centuries there has not been a question before the country greater than that which the House of Commons is called upon to decide. The question is whether the Government are to go on spending, spending, spending, whether they are to drain the national resources in the vain attempt to garrison new lands and to maintain vast and impossible bureaucratic schemes, or whether they are to follow the path of retrenchment which may lead to financial salvation. I say *may*, because we are in such a plight that recovery is anything but a certainty. The whole future of the country and the Empire is at stake, and if the House of Commons takes the wrong turning the consequences may be irreparable.

I shall be told that if the supporters of the Government join in passing a vote which carries condemnation we may have a general election. I believe these fears to be without foundation. Make no mistake. I do not want to see a general election at present. I have no desire for any Government of which Mr. Lloyd George is not the head. I am firmly convinced that the present Prime Minister possesses qualities so invaluable to the nation that it would be disastrous if he were to vacate office. But I believe it to be of paramount importance that the House of Commons should to-day express the will of the people by placing on record a solemn warning that reckless expenditure of every kind must cease, and that our national disbursements should be reduced within a prescribed limit. A firm and comprehensive expression of such a view by a majority need not involve the resignation of the

¹ December 9, 1920. The outcome of the debate is dealt with in the succeeding article.

Government, which neither I nor most of those engaged in this campaign for rigid economy desire. It is a modern fallacy, frequently disproved, that adverse votes necessarily compel a Government to resign.

Our position simply is, that the Government are living enormously beyond the nation's means. They are trying to run an A1 administration upon C3 finance, and are acquiring spacious foreign burdens in addition. The thing cannot be done, for financially we are very near the end of our tether. Why? Because Mr. Austen Chamberlain's last Budget went like a dagger to the heart of British trade and industry. From the moment his astounding miscalculation of the position was made known, the slump began, which is destined, I fear, to carry us down to far blacker depths in the next few months. No more disastrous financial blunder is recorded in our political annals. It is said that, including debt redemption and the Supplementary Estimates, this year's Budget may reach a total of £1,600,000,000.¹ I very much doubt whether it will be safe to budget for half that preposterous figure next year. This country will not, in my opinion, be able to raise anything like £1,000,000,000 in 1921-22. The sum of £950,000,000, suggested by a hopeful commercial group, shows a complete failure to grasp the conditions which are fast overtaking us. I spoke recently of £800,000,000, but the more I inquire into home conditions and world conditions the more convinced I feel that even that amount may prove to be quite beyond our reach.

Do the Government and the public understand what is happening in every continent around the globe? Do they perceive that from the Tropics to the sub-Arctic regions paralysis is overtaking international trade, and therefore bringing down internal prosperity with a run? Do they know that our own financial welfare must be gauged with close reference to conditions prevailing elsewhere, and that we depend for our well-being and much of our very food upon that system of international bartering which is near collapse? South America, with great stores of raw produce which she cannot market, is perilously close to a crash. Australia and South Africa may soon be in a very bad way. The channels of trade with the United States are being choked by financial difficulties, and in many parts of America unemployment is

¹ The actual total was £1,532,324,000.

rife. The rupee exchange with India is nearing a deadlock through the failure of artificial expedients. Not a single continental nation can balance its budget, and all Europe presents a spectacle of increasing stagnation. While Russia is in the grip of dreaming madmen she might as well belong to another planet, and the whole world feels her tragic withdrawal from international intercourse. How can we expect to revive when the rest of the world, upon which we are mutually dependent, sinks deeper every day into economic chaos? The only prudent course, the only possible course, is to retrench in wholesale fashion before it is too late.

It will not suffice to abolish the war departments, the obsolete controls, the big drain-pipes through which the earnings of the nation are pouring into a sea of waste. As I turn over the piles of Estimates, I am surprised at the multitude of minor extravagances, the swarm of little and often ancient items, the innumerable tiny byways of waste, which can be painfully traced amid the records of our prodigality. Why do we still spend £1,563 upon 'King's Plates' for race meetings in Ireland? Ought we to pay £1,000 annually to the Universities because they no longer print certain almanacs? Is the Petroleum Department necessary? Does the nation know that the Ministry of National Service is so far from being buried that £10,000 is being allotted to it this year? Why do we indulge in the luxury of a 'Minister without portfolio' at £5,000? ¹ Can we retain a brand-new Cabinet Secretariat at an annual cost of £28,525? I could fill a page with such minor matters.

I must reiterate my conviction that a primary factor in the recovery of national solvency must be a sweeping curtailment of our new foreign commitments. A poet has said that already our mailed hand 'keeps the keys of a myriad destinies.' We want no further tasks of the kind, because this country simply cannot afford to play the foster-parent to half the world. We cannot be the benevolent guardian of all sorts of refractory tribes at an annual cost to the British taxpayer of £10 per tribesman, which is about what Mesopotamia figures out at just now. I do not believe that the majority of Britons realise the enormous extent of the British Empire. It covers rather more than one-fourth of the whole land surface of the globe. It is nearly twice the size of the

¹ Dr. Addison now holds this office.

immense territories in Russia, which look so vast upon the map. If all the land under the Union Jack could be placed together the United States might be tucked away in a corner of the area. Considerably more than one-fourth of the human beings on the earth own allegiance to-day to King George the Fifth. Never before in all history has such a large proportion of the world's population been grouped under a single rule. Is it not madness for us to seek any fresh responsibilities? Financial considerations for a moment apart, shall we not be encompassing our own destruction if we try to bring more millions beneath our tutelage?

Mandates or no mandates, I believe the only wise and prudent course for us is to withdraw within our old boundaries, and not to enter upon any new undertakings between the Suez Canal and the Indian frontier and between the Straits of Dover and the Khyber Pass. If any exception is made at all, it should consist of the country round the port of Basra, which covers the landward approach to the Persian Gulf; but I would prefer to see no exception made. In Palestine we are engaged in an impossible enterprise, for the Zionists will require the protection of a perpetual British garrison. The recent rising in Mesopotamia has proved that the plea, 'We are bound to replace Turkish control,' is unfounded. I am told that in Persia we are simply bolstering up a reactionary clique. In Arabia the people ask to be left alone. As for Asia Minor and the Black Sea, we have no business to be there at all.

I sometimes think that the statesmen in power at the time of the Armistice, and for some months before and after that great episode in human affairs, hardly grasped what they were doing. The tremendous things they were engaged upon seem to have inflated their minds like bladders. They grew so accustomed to deal with millions of lives, with millions of square miles, with hundreds of millions of money, that they lost all sense of proportion and all consciousness of what is and what is not possible. They dealt out 'mandates' to each other as though they were handling a pack of cards. In our case they committed the helpless taxpayers to amazing charges from which the whole nation instinctively shrinks. At home they launched into immense undertakings as though we had come into illimitable wealth instead of having permanently lost one-fifth of our capital, in addition to being burdened with almost unthinkable debt.

Right down to the present moment these megalomaniac ideas have continued to prevail. The South Sea Bubble was nothing to it. They want to dam the Severn, to put up huge electrical super-stations, to turn our railways upside down. They want to stick 'Health Centres' in every village, to cover the land with clinics and tuberculosis settlements, to create a widespread State medical system under which we shall all live for doctoring and little else. They want to build an incredible number of houses at £1,000 or more apiece, and no one reminds the local authorities of the terrific reckoning which will overtake them at the end of seven years. They want to saddle us with a system of education so intricate and far-reaching that it must ultimately absorb a sum equivalent to our whole national revenue in 1914. I wonder they do not want to drain the ocean or to establish lines of transportation to the moon!

Our rulers all went a little mad in 1918 and 1919. They all seemed to think they could reach the stars, but to-day they are back to earth again, like the stick of a spent rocket. Confronted with the black reality of impending financial collapse, their distended ideas have been pricked and have vanished. The orgy of gigantic dreams is at an end. The eaters of political opium are witnessing the dawn of common sense. And what have they to show for their debauch? Lands we cannot hold, schemes we cannot complete, industries half-wrecked by the constant drain on their resources, trade dwindling in volume, a host of unemployed men and women, taxpayers unable to meet the ruthless demands made upon them, and a nation which when it cries for the wherewithal to buy bread is offered Government-tested clinical thermometers and evening lessons in Choctaw.

These follies must end. There must be a return to sanity and solvency. For a beginning let us call back our troops from their new stations in the Orient, drop all schemes at home not yet in operation, cut down all departments, refuse to sanction any fresh expenditure, and try to realise that as a nation we are just now very poor, very weary, very near the loss of a great deal of our foreign trade. The forces of insolvency are spreading over our land as the Germans spread over France. In the name of all the splendid young men who laid down their lives that this country might be happy, prosperous, and free, I ask whether the Government are

justified in wantonly bringing us to the verge of national death? For that is whither Squandermania is leading us. The Government are digging a pit from which there may be no escape. We are far nearer financial collapse than our rulers will admit, so near that the City only talks of it with bated breath.

Is it worth while? Have we won the greatest war ever known, only to be brought to a point where we are in peril of perishing through bureaucratic insanities and inordinate Imperialistic aims? We know it is not fair to the living, but is it fair to the honoured dead? I hope the House of Commons this day will do its duty, and that for once it will think, not of the lash of the Whips, but of the irresistible cry of the people.

THE 'ECONOMY' DEBATE AND AFTER ¹

THE outcome of the so-called Economy Debate in the House of Commons is in my view extremely deplorable. I fear the debate may be a sinister landmark in our history, for it denotes the appearance of a cleavage between the taxpaying and ratepaying public and the House of Commons which I believe to be without precedent. The agitation against crushing taxation and insensate waste cannot be dismissed, as Mr. Chamberlain was unwise enough to dismiss it, with the phrase 'ignorant, irresponsible clamour.' The taxpayers and ratepayers are not ignorant, for they know the cruel character of the demands of the State. They are not irresponsible, for they have to find the money. Unless policy is changed, I am afraid we may drift towards a breakdown of Parliament. I can see no other outcome, for throughout the world there are many signs which suggest that six months hence our economic and financial position will probably be very much worse than it is to-day. I am content to await calmly the march of events, in the belief that long before next year is over the accuracy of the repeated warnings I have endeavoured to express will be amply proved.

In the meantime, we are face to face with a position which in some respects resembles the sequel to the notorious Economy Debate in the House of Commons on October 29 and 30, 1919. On that occasion, the House, after listening to 'dope' speeches from Mr. Austen Chamberlain and other Ministers, gave a vote which signified that the majority were perfectly satisfied with the outlook. Within six months they were listening to a new tale of woe, and taxation almost equal in a full year to our whole pre-war revenue was imposed upon the suffering public. Very much the same thing happened on the present occasion, but there is one difference which may prove fatal. In 1919 we were still being carried sky-high by a largely fictitious 'Boom.' This time we are already in the depths of trade depression, and every business

¹ December 12, 1920.

man who has trained himself to look beyond his office doors and to mark the fluctuations of trade and the exchanges throughout the world, knows that things cannot be better by the time the next Budget is introduced. The House of Commons seemed to accept the easy assurance that next year (1921-22) we shall be able to raise by normal means a revenue which, if there are to be no drastic reductions, must considerably exceed a thousand million pounds. I reiterate my conviction that no such sum can be collected.

Is it realised that if the Government do not cut down ruthlessly they may imperil the payment of war pensions and the interest of the loans in which tens of thousands of small people have put their money? In the words of a strange manifesto just issued (with a very different meaning) from Downing Street, the State may have to 'repudiate its obligations to its pensioners or to its creditors.' This document is a remarkable revelation of the confusion of mind at the Treasury. Just as for the last two years capital receipts in the shape of sales of war stocks have been treated as revenue, so now capital outlay in the shape of repayment of loan is treated as expenditure. The naïve statement is made that there will be a repayment of loan next year of 110 millions. Does anyone in his senses believe the Government will be able to make a net reduction in national indebtedness next year? Then there is education, which this precious document says next year will cost 56 millions more. Apart from increased salaries for school teachers and increased cost of upkeep, education should not cost more than in 1913-14. The education that was good enough for the heroes of the Great War is good enough for the children of to-day. In the course of the debate the House was reminded that next year (1921-22) the arrears of Excess Profits Duty alone will amount to £400,000,000, apart from the demands for refunds which must be met.¹ Can these immense arrears be cleared off on a dwindling market and a decline in consumption? Much is made of the money realised by the sales of war assets, but can the Disposals Board get all the money in? I begin to doubt it, and with reason.

Every vote registered against Mr. Lambert's motion to limit expenditure in 1921-22 to £808,000,000 was in reality

¹ The estimated receipts of arrears of Excess Profits Duty in 1921-22 were put down in the Budget at £120,000,000.

a vote in support of Squandermania. It is no secret that many of the members who thus recorded their votes were responding to official pressure. I believe the Government committed a fundamental mistake when they made the division a question of confidence. Had they taken off the Whips, and allowed all members a free hand, the voting might have been different, and the Government might have received a mandate. Such a mandate would have strengthened their hands enormously, and would have enabled them to cut down next year's Estimates with the consciousness that they had both the House and the country with them. Mr. Chamberlain made the surprising suggestion that this great issue, upon which the future of the whole nation depends, was a matter which concerned the Government and 'the Commons in Parliament assembled.' He seemed to regard the gathering as a sort of glorified vestry meeting, upon a question regarding which no one outside those four walls should dare to hold, still less to express, an opinion. I am thinking rather of the millions outside, the troubled millions who will soon have the tax-collectors and the rate-collectors standing on their doorsteps.

My own name was mentioned more than once in the House of Commons. I have nothing to withdraw or to apologise for. I have not written unpleasant things about the members, but have simply published their photographs. If they want to know what many people are saying they cannot do better than listen to Mr. Asquith, who has said he is ashamed of the present House of Commons and sometimes wishes he had not been returned for Paisley. It is the duty of those who command means of publicity to seek to arouse Parliament to a sense of the financial dangers which are fast overtaking us. I have no other object. I repeat once more that I do not desire to see a change of Government. Nothing is farther from my thoughts. My only purpose is to persuade those in authority to take steps towards the restoration of national solvency. On other large questions of Government policy I am with them.

In the Cabinet memorandum read by Mr. Austen Chamberlain I can find not one single fresh valid promise of retrenchment, not one. The Ministries of Food, Munitions, and Shipping were to be wound up in any case, but it is noticeable

that some parts of their staffs are apparently to be transferred to other departments. There is no fresh promise of evacuation of the armies totalling 170,000 which are stationed in the Near and Middle East.¹ The old promises are repeated, but I will believe them when they are fulfilled. The statement about future naval construction means neither yea nor nay. The pledge of economy in the Air Force is accompanied by more estimates.

It is true that the Cabinet undertake that 'schemes involving expenditure not yet in operation are to remain in abeyance.' I will apply to this vague promise one simple test, that of the Education Act. Next month (January 1921) the schemes for day continuation schools are to be set on foot in certain areas. These schemes are not yet 'in operation.' The Government constantly pretend that they do not receive 'specific suggestions,' although they are snowed under with them. I therefore specifically ask: Will the Government stop the day continuation schools scheme, against which large portions of the community are now in revolt? By that test their promise must stand or fall. According to the official report, the Prime Minister said that the total charges for continuation schools 'run to £400,000 or £500,000.' I think he must have been misinformed. I will take the case of Birmingham, a city always in the van of educational progress. The Birmingham rates have increased from 9s. to 18s. since 1914, and are still rising. It is said with authority that there is no popular demand in Birmingham for day continuation schools, yet the local Education Committee, on being given 'a free hand,' arranged for fifteen head teachers and a staff of 450 assistants as a 'first instalment.' The Committee was authorised to spend £46,000, but its commitments for these schools alone involve £147,000 this year for salaries and £250,000 annually. This appears to be exclusive of buildings. Last Tuesday (December 8, 1920) the Birmingham City Council called upon the Government not to enforce the day continuation schools 'until financial conditions are more favourable.' Similar representations are being made by local authorities all over the country. Here is a simple test. Does the Cabinet mean to adhere to its memorandum, which speaks of burdens 'on

¹ The estimated number of troops in the Near and Middle East on April 1, 1921, was 111,980 of all ranks.

the rates' as well as upon the Exchequer?¹ Another example was quoted in the Economy Debate by Mr. Marriott. Boys of sixteen to seventeen are entering the Civil Service (in these days of national impoverishment) on a salary of £60 a year, with a 'war' bonus of £93 a year, or £153 in all? Older lads of eighteen to nineteen are entering on a salary of £100 a year, with the quite outrageous 'war' bonus of £148 a year, or £248 in all? Does the Cabinet mean what it says, and if so, will it stop these lavish payments to youngsters, which resemble the exploits of the Ministry of Munitions in its palmy days?

If the public turn from the contemplation of incessant and generally costly legislation in Parliament, and study trade conditions, they will realise the madness of the refusal of the House of Commons to compel the Government to curtail expenditure in wholesale fashion. I turn over the pages of a trade publication picked up at random, and find that in New York there is 'no break in the gloom.' In South America 'conditions have become critical in the last few weeks.' In France 'business and industrial conditions are growing rapidly worse.' At Ghent 'the worst is feared in trade circles.' In Canada conditions are not 'wholly satisfactory.' Unemployment is rife in the eastern provinces. The ship-building plants and the lumber enterprises on the Pacific Coast have either closed down or are working very short time. Trade in India is almost paralysed. In Burma 'many failures' are expected. Egypt is 'passing through a commercial crisis,' and cotton has fallen 50 per cent. in the last few weeks. In Japan it is expected that 'matters will grow worse.' China is smitten with famine, and unless the visitation is countered 'North China as a factor in the world's commerce drops to vanishing point.' Manchester and Liverpool are 'cheerless,' Oldham has had 'the worst week of the year,' and similar statements come from every big Lancashire town. The Yorkshire woollen industry is in like case. Dundee is selling jute goods 'below cost of production.' The Fifeshire linen trade is 'hopeless,' and Belfast is in a bad way. On the Clyde unemployment is 'prevalent in all industries.' Pages could be filled with

¹ The day continuation schools scheme was afterwards suspended, except in certain cases where the 'appointed day' had been determined.

similar statements from all parts of the world, which are most painful to record. Consider them in the light of the vote in the House of Commons in favour of a continuance of squandermania.

I have never suggested that if the Government cut down expenditure trade would instantly revive and unemployment would cease. The world-conditions show that such a welcome change cannot be expected. But in view of the general situation, both at home and abroad, it is almost criminal for the Government, with the encouragement of a House of Commons majority very much out of touch with the electorate, to continue spending on a scale largely in excess of the taxable capacity of the country. My experience is that the enormous rise in local rates is staggering the public even more than the heavy increase in national taxation. For this increase in local rates the Government are to a considerable extent responsible, and efforts are constantly being made in Parliament to heap more demands on the ratepayers. Mr. Chamberlain has said (October 23, 1919): 'I do not think I am guardian of the ratepayers.' It is time somebody guarded the ratepayers. I predict with absolute confidence that unless a stern check is placed upon the legislative activities and administrative excesses of the Coalition the rates of such seaside towns as Dover and Hastings will be at least 30s. in the pound within the next two or three years. It was not the Government, but the nation, that won the war. The new task of our people is to save this country from bankruptcy. This Parliament will never do it now.

THE FOLLY OF THE BIG BATTLESHIP ¹

A DEFINITE movement is now on foot in this country having for its object the building of a number of immense and useless battleships. These battleships are expected to cost £9,000,000 apiece, and each of them will require at least £750,000 annually to keep in commission. The Committee of Imperial Defence has appointed a sub-committee to inquire into the naval lessons of the war, and to consider the 'place and usefulness of the capital ship [battleship or battle-cruiser] in future naval operations.' Yet a tentative programme has actually been prepared, and unless this almost bankrupt nation wakes up we may find ourselves irrevocably committed to the building of another fleet of obsolete marine monsters. Why? What possible 'future naval operations' can be in contemplation? Most of us thought all naval issues had been settled for many years to come, and that we could rely on a comparatively small fleet for police purposes, composed of ships selected from those we already possess. We cannot afford to build even a captain's galley at this juncture.

I was one of the earliest members of the Navy League. For years I steadily supported all proposals for maintaining the Royal Navy at a strength sufficient to cope with the German naval menace. But what menace at sea have we to fear to-day? The German High Sea Fleet has vanished. Germany now possesses only six small obsolete battleships carrying 11-in. guns. She is forbidden to have submarines, and her naval personnel must not exceed 15,000 officers and men. France and Italy have built no new battleships for years, and do not propose to do so. No other nation in Europe makes any serious pretence to sea power. The mad scheme for building new British 'capital' ships is entirely based upon the discovery, by no means a new one, that the United States and Japan are building more battleships at a very great rate. It is pointed out that three years hence, owing to the intense activity of these two friendly nations,

¹ January 9, 1921.

we may have become the third naval Power in the world in point of capital ships. My answer is: What if we do?

It is not my purpose to inquire precisely why the United States and Japan are laying down so many battleships, but it may be said without offence that they are obviously building against each other, and not against us. I observe that when all the programmes are completed the United States will still be twice as strong in capital ships as Japan, and that every new American battleship is constructed to traverse the Panama Canal. A reasonable inference is that, whatever Japan's intentions may be, she can have no idea of threatening the American continent. It is also quite obvious that the reason why both Governments are building battleships is that they are building in a hurry. Their Admiralties have evidently decided that they will not pause to consider the latest developments in naval warfare, which in the view of many experienced seamen have marked the doom of the capital ship. It is necessary to express these considerations only to dismiss them. If the Big Ship party in our own Admiralty and in Parliament have no better reason for building than the battleship rivalry between the United States and Japan, then they have no case.

A naval or any other sort of war between Great Britain and the United States or Japan is unthinkable. I will, however, put my contention on a far lower ground. Such a war is impossible, for very practical reasons. I am writing in a purely academic sense, but it must be assumed that a war with the United States would involve the whole British Empire. These islands could never engage in such a conflict if the Overseas Dominions held aloof. When we built ships in the naval race with Germany, one of our principal objects was to protect England, Scotland and Ireland against invasion. But the moment issue was joined with the United States, the invasion of Canada near Winnipeg would be inevitable, and a hundred battleships could not stop it. Leaving the invasion of Canada out of account, I would urge that no British battle fleet could ever operate effectively on the Atlantic seaboard of the United States unless we first built one or more tremendous naval bases in Nova Scotia, New Brunswick, or Newfoundland. The simple announcement of such a project would be tantamount to a declaration of war. As for operations on the grand scale in the Pacific

against the United States, Japan, or any other Power, the mere idea is ludicrous. No battleships of recent type can go through the Suez Canal, and in any case the passage of the Mediterranean would not be risked. The battle fleet would go by the Cape route, which means a new base at Simon's Town. I am told that such a base would cost at least £30,000,000. There would have to be another base at Singapore, probably one in Western Australia, yet another off the coast of New Guinea, and advanced bases farther north. The cost would run into hundreds of millions. It is absolutely certain that no British battle fleet will ever be able to operate in the Pacific. When experts talk of 'maintaining British naval supremacy,' they are talking nonsense so far as the Pacific is concerned. We ceased to be supreme in the Pacific, either actually or potentially, more than twenty years ago.

So far, I have been urging that it is both unnecessary and impossible to build battleships against either the United States or Japan. But I go a good deal farther. As a layman I agree with those distinguished seamen, headed by the late Lord Fisher, who have urged that the modern battleship is only fit to be 'scrapped.' If we were rolling in money we ought not to build any more battleships. The recent naval war settled the battleship question. Stripped of a cloud of controversial statements, the essence of the war at sea was that in effect both fleets avoided battle. We know that the Grand Fleet was constantly moving farther and farther away to evade submarine attack. We know that if the German submarine flotillas had not steadily deteriorated, and if they had been manned by British officers and men, they would have struck at the Grand Fleet instead of concentrating on our merchant shipping. We know that at Jutland Lord Jellicoe turned away to avoid torpedo attack. It seems also probable that on August 18 and 19, 1916, some time after the battle of Jutland, the Grand Fleet was baulked in the North Sea by submarines. The Germans began the war with only twenty-eight effective submarines, and they were inexperienced in their use. It is now universally admitted that if Germany had been able to send to sea sixty or seventy submarines when the war began she might have settled the naval issue. Lord Jellicoe has himself acknowledged that during the first winter he constantly dreaded a submarine attack upon his ships at anchor in Scapa Flow. The newest

submarines have a far greater radius of action than any battleship. During the war enemy submarines not only operated off the West Coast of Africa but even reached the waters of Brazil. Submarines are being built to-day which can keep the sea for three and even six months. Can any battleship do the same?

The day of surface warships is over. They must get under the water or into the air, as Lord Fisher said. Probably they must do both. The fundamental question is whether the torpedo can knock out the gun. It seems to me that this question is already decided in favour of the torpedo. At Jutland a torpedo attack caused Lord Jellicoe to relinquish an almost unparalleled advantage which he was unable to regain. Our crack capital ship is the *Hood*, 41,200 tons, and already we are told that she is semi-obsolete. I believe there are only two places in Great Britain where the *Hood* can be docked. What should we do if we had a whole fleet of improved *Hoods*? Their weight would submerge any Budget in a sea of bankruptcy. And would these monstrous and vulnerable floating fortresses save a single merchant vessel from destruction? Could they help the Overseas Dominions? Could they range the oceans and maintain that vanished naval supremacy which is still fondly talked of by people who are dreaming in the atmosphere of fifty years ago? What is the use of giant structures which can only timorously waddle outside their protecting harbours with as many precautions as an invalid who fears pneumonia in an east wind? What is the use of a battle fleet which has no other battle fleet to fight, and whose tactics would be based upon theories of avoidance, like the armies of the eighteenth century?

Admiral Scheer, who commanded the German High Sea Fleet at Jutland, has just pointed out that submersible war vessels are bound to revolutionise naval warfare. I may observe that they strike at the basic naval doctrine hitherto cherished by Great Britain. They destroy the theory that any Power—let me say the United States or any other Power—can in future ‘command the seas.’ We may watch the growth of the formidable array of American battleships with interested calmness. Mr. Josephus Daniels and the United States Navy Department alone know what good they will do, but I expect their models will eventually be placed beside

the dodos and the ichthyosauri in that familiar home of antiquities, the Smithsonian Institution at Washington. No doubt we shall never see submersible Hoods, but we shall very quickly see submersibles powerful enough to shatter the tactics of any surface fleet. Admiral Scheer only states half the reality when he declares that the value of surface ships relying on gun-power must decline as submersibles armed with torpedoes are improved. Their coming will make 'the command of the sea,' as we have hitherto understood it, meaningless; but they will not in the least mean that Great Britain will be reduced to impotence. Our traditions are defensive, and not offensive. I believe that under the new conditions of naval warfare we shall be able to guard our own interests more effectually than ever, thanks to our incomparable geographical position on the flank of Europe and to the immemorial spirit of the Royal Navy. We shall no longer be supreme, because no nation will be supreme at sea. But we shall protect our Mercantile Marine, and shall continue to be a terror to any foes who may appear. These views may not be palatable to some of the senior officers of the Royal Navy, who have done such splendid service in the past. They imply the practical disappearance of the quarterdeck, and the transfer of control to younger men.

Already there is ample evidence that most senior naval officers will struggle for the retention of the capital ship to their last gasp. They believe in it, just as some of their predecessors believed in sticks and strings instead of steam, in muzzle-loading guns instead of breech-loaders, in wooden ships instead of steel ships, in tank boilers instead of water-tubes, in coal instead of oil, and in paint instead of gunnery. A very serious and grave conflict is impending in this matter. The whole weight of our armour-plate and naval construction interests will be thrown into the scale in favour of the capital ship. Yet the fight must be fought out, and in public, not behind the scenes. The agitation for more big battleships is not only the very worst form of squandermania, but from the naval and the political point of view approaches lunacy.

I urge:

(1) That we cannot afford to spend any money on naval construction at present.

(2) That the next five years should be devoted to experimental research, and that meanwhile our existing naval

resources, which might be greatly reduced in strength, are far more than adequate for our prospective needs.

(3) That we should build no more battleships, because they are obsolete.¹

(4) That the United States and Japan are hurriedly building battleships for reasons of their own, and that their decision to pursue antiquated forms of warfare is no proof that the capital ship will survive.

(5) That we need not be influenced by the example of the United States and Japan, whose interests do not conflict with ours.

(6) That even if the need arose, and if we had the ships, we could not operate with battle fleets on the other side of the Atlantic, still less in the Pacific.

(7) That the future of naval warfare lies in the development of submersibles, submarines both for the narrow and the open seas, 'skimmers,' naval aircraft, the improvement of the torpedo, the use of mines, provision against aerial attack, and the elaboration of harbour defences.

(8) That no nation is going to enjoy naval supremacy any more. This is a nasty pill, but we must swallow it.

(9) That unless our national finances are swiftly put in order we shall not have enough money to build a flotilla of bumboats.

¹ It was announced on March 14, 1921, that the Government propose to build four new giant battleships.

WHAT THE ANTI-WASTE LEAGUE MEANS¹

THE Anti-Waste League has not been formed in consequence of the Dover election. As a matter of fact, the organisation of such a League has been contemplated for some months past. At the same time, the Dover election showed that the right moment had arrived, and led to the scheme being brought before the public.² The Anti-Waste League has been founded because, in the opinion of its principal supporters, no organisation can expect to influence our national financial policy at this juncture unless it fulfils two main requirements. These are :

(1) It must be able to command the pledged support of a sufficiently large number of electors to win by-elections.

(2) It must be completely severed from ordinary party ties and party organisations.

This does not mean that the Anti-Waste League proposes to suggest itself as a substitute for the old political parties. The League takes its stand upon the contention that none of the existing parties have shown any clear consciousness of the grave financial plight into which the country is drifting. It perceives that all political parties talk in varying degree about spending, never about saving. It observes that whenever any party leader professes to preach economy, he always says, in effect : ' But, of course, my own pet projects (the Army, the Navy, education, Mesopotamia, crazy " health " schemes, nationalisation, or whatever they may be) cannot be touched.' On the other hand, the founders of the League have discovered that the masses of the electors of the country, and perhaps women electors even more than men, care little about any of the projects of any of the politicians. Their one thought and preoccupation is the immense and paralysing burden of the rates and taxes. None of the party leaders take heed of that great and deep mass-feeling which is moving

¹ January 30, 1921.

² On January 13, 1921, Sir Thomas Polson, Anti-Waste candidate, was returned for Dover, a Tory constituency, by a majority of 3,130 over Major J. J. Astor, the Coalition candidate.

the bulk of the electorate to anger and exasperation. They do not appear to care. If they did, they would talk about expenditure and waste and nothing else, and they would cut down taxation. The politicians seem to have thought that the only section of the nation which is really angry about taxation is what is known as the Middle Classes, who pay the bulk of the income tax. They have rashly and foolishly supposed that the Middle Classes are politically less combative than any other section, and that burdens can be piled upon them to any degree. The result, the very shameful result, is that our Middle Classes are loaded to-day with a weight of State exactions for which no precedent can be found anywhere in the world. The Middle Classes are being crushed into pauperism. Yet the politicians, who are really rather blind people, never made a bigger blunder than when they thought that in any case only the Middle Classes would kick. They forgot quite simple and obvious economic factors.

My own investigations have led me to the conclusion that within the last few months the great bulk of the electorate, the many millions of quiet wage-earners who rarely attend political meetings, even Labour meetings, have become just as infuriated against the present weight of national and local taxation as the Middle Classes, and those who might once have been considered wealthy. I have found two things in the course of my inquiries. In the first place, it is the doubling and even the trebling of the rates which has aroused millions of wage-earners. Our politicians do not seem to know how important it is to vast numbers of small householders that the rates should be comparatively moderate. The rise in rates is the first cause of the present mass-revolt against national and local expenditure. I sometimes wonder whether Parliament quite realised what it was doing when it gaily placed fresh compulsory burdens on the local governing bodies, and when it casually permitted Dr. Addison and Mr. Fisher to run amok financially. The second thing I find is that there is a vague though growing consciousness among working men and women that huge and reckless expenditure by the Government and the local bodies has much to do with their own present difficulties. The growth of unemployment has made our people think. I find working men and women saying quietly just now that 'perhaps the union leaders have opened their mouths a little too wide.' The Labour leaders

will not admit it, but this feeling is beginning to exist. Then these same working men and women see firm after firm knocked prostrate, and perhaps closing their doors, through such imposts as the Excess Profits Duty. The discovery, with its painful results, leads them to ask in a very direct way 'what the Government have done with all the money?' And when they get on this branch of their frank inquiries, and find that evidences of appalling waste exist all around them, the revolt begins. I say without hesitation that the fiercest opponents of the present waste of the nation's resources are found among the rank and file of the wage-earners. Without their help the Anti-Waste League could do very little. The Anti-Waste election at Dover was not won by the Middle Classes. They gave valiant help, but they alone could never have carried Sir Thomas Polson to victory.

When the Government take one-third of the national income, and threaten to take more, they hit everybody. The electors are finding this out. The object of the Anti-Waste League is to collect and to turn into one broad channel all these rambling currents of popular feeling. The League aims at forcing the Government of the day to cut down expenditure with an axe. It has no other aim. I rather think that a miniature axe for the button-hole ought to be the League's badge. The idea of the League is to win every possible by-election with Anti-Waste candidates who are pledged to do their utmost to compel those in authority to bring the Budget down to a point within the scope of the nation's means. I do not expect the League to win all such elections, or even to intervene in all of them, but if it receives sufficient support it will win most of them. It will pick its own fighting-points. Its candidates will have to declare themselves ready to work for this single aim of Anti-Waste, and to remain completely aloof from party entanglements. The League will frankly endeavour to make every sitting member of Parliament realise that he has very small prospect of being returned again unless he adheres to the League's simple programme, which is 'Cut down all round.' It is beyond doubt that if the present members of Parliament continue to vote away without question sums enormously in excess of the nation's requirements, very few of them will ever have any chance of entering the House of Commons again after the next dissolution.

In the past two years we have had one 'Economy' debate after another in the House of Commons. The public have awaited these 'Economy' debates with the most eager expectation, and each time they have been disappointed. Not one 'Economy' debate in the House of Commons has made any impression upon those who are engaged in wilfully wasting the nation's resources. Time after time the Government have made promises, but from the moment Mr. Chamberlain brought in another £200,000,000 of taxation last spring the nation realised in despair that no relief was to be expected from the Government or the House of Commons, except under pressure. Are public meetings of any use? Hundreds of resolutions of protest against high rates and taxes have been passed in all parts of the country. These fervent expressions of opinion have been lost in the fog of Squandermania. Have the great commercial, manufacturing, or financial organisations fared any better? The whole of the leading bankers, headed by Mr. McKenna, a former Chancellor of the Exchequer, have been uttering the gravest possible warnings for many months past. For all the good they have done, they might as well have addressed the moon. The strongest and most powerful business association in Great Britain is considered to be the Federation of British Industries. Has any tangible result followed the great gathering of protest held by the Federation in December? I am convinced that the voice of the Federation never carried across the ramparts behind which the official spendthrifts are entrenched. I and others have tried propaganda through the Press. I have published many articles during the last two years, all devoted to various aspects of Waste and Squandermania. My newspapers have given these articles the widest possible circulation, but, when I look at the figures of current expenditure and taxation, when I think of the Budget which is even now being prepared, I feel that my efforts have not sufficed to overthrow the citadel of the master-spenders. Propaganda through the Press has done much. It has helped to rouse the nation, but it has not affected to any visible extent those who have the spending of the nation's money.

There is only one way of financial salvation, and that is the old British way, through the use of the vote. The purpose of the Anti-Waste League is to organise the use of the vote. The necessity for such a League is all the more urgent because

we are threatened with a glut of sham Anti-Waste candidates. Realising the formidable growth of popular feeling, every candidate who offers himself for election to Parliament is pasting on his hat the Anti-Waste label. All candidates who call themselves Anti-Waste and simultaneously try to do the bidding of party organisations are shams. Each political party favours unnecessary expenditure of some sort or other. The watchword of the League is 'Economy without Exception,' and every party has its exceptions, some of them involving enormous sums. The type of man who calls himself Anti-Waste and stands on a party ticket will develop into the kind of member who talks economy to his constituents and then votes in Parliament for Squandermania. The League can hold no parley with such inconsistent people.

I rejoice to know that the Anti-Waste League is already finding enthusiastic support among women, whether they possess votes or not. I think it is quite possible that before very long the women members will be the mainstay of the League. When the political history of the present epoch comes to be written, nothing will seem stranger than the fact that when the Parliamentary vote was conferred upon millions of women not a single political party made any special appeal to the women electors. It seems to have been assumed that women would always vote very much as the men voted, and that, therefore, no special effort need be made to win their support. No doubt it is true that women electors will always be largely influenced by male opinion, but it is also true that the women electors have special standpoints of their own, and will often give expression to their own views at the polling booths. We have found by experience that no political question touches women so closely, or arouses their interest more, than the Anti-Waste issue. Women, and especially the women of experience who possess the vote, are instinctively interested in questions of economy. They are well aware that in the long run women suffer most through Waste. All through the Anti-Waste campaign it has been noticed that women respond at once to our appeals. They have studied the question with zealous earnestness, and it must be remembered that the majority of women electors are quite untrammelled by party ties. The Anti-Waste League is the very first organisation to realise the overwhelming importance of the women's vote, and to invite

women to take a leading part in its work. The young men won the War. The women must win the Peace.

Many inquiries have reached me asking how the Anti-Waste League proposes to bring about a reduction of local rates. The answer is that we cannot hope to grow to maturity in a day. First things first. Our initial work lies in Parliament. A great deal of the increase in local rates is due to parliamentary action. Our earliest aim must be to prevent Parliament from adding to the enormous weight of local rates, and to endeavour to effect a reduction of such burdens as Parliament has already imposed upon the rate-payers. When members ask me, 'What are we to do?' I would reply: 'Be ready to strike in your part of the political battlefield if the fight comes your way.' I believe that if the men and women of this country unite in supporting the objects of the Anti-Waste League, such irresistible pressure will be brought to bear upon the Government of the day that they will be bound to yield to the imperious demand of the national will. The members of the Anti-Waste League must buckle on their armour and gird themselves for the fight. They must remember the motto of the Boy Scouts, at whose small beginnings people once laughed. They must 'Be Prepared!' The old political parties have utterly failed to bring about a reduction of taxation, because they have never tried. The Anti-Waste League has a clear field and a fair fighting chance.¹

¹ During the industrial deadlock which began in the spring of 1921, the League, in order to avoid embarrassing the Government, refrained from fighting by-elections.

HOW TO GET THE BUDGET BELOW 800 MILLIONS ¹

WE have been told by the Chancellor of the Exchequer at Birmingham and more recently (though not in explicit words, as most people have assumed) that the Government intend to make an effort to get the Budget down to £950,000,000.² I again say emphatically that by taxation, apart from the sales of war stores or from the collection of arrears of the Excess Profits Duty, the nation will not be able to raise such a sum, or anything like it, in the financial year 1921-22, without running a dangerous risk of economic collapse. The other day I was challenged to demonstrate that it was possible to bring the Budget down to £800,000,000, or even below that figure, without endangering the national security or reducing the social standard. I accept the challenge, but I would first say that it was wrongly phrased. The question is not how far can expenditure be reduced, but how much money can the State safely take from the nation for State purposes, national and local?

If we were to fulfil the educational ideals, the housing ideals, the public works ideals, the transportation ideals, the dreams of incessant doctoring for everybody a dozen times a day, the standard of extremely high pay for all State servants, great and small, and the many other glowing visions of the throng of moonstruck idealists who are dipping their hands so deeply into the nation's moneybags, we should reach a total outlay as impossible as the 50,000 million pounds which is said to be the real sum Germany ought to pay. No, we must drop ideals and get down to hard facts. We must have a Budget which the nation can meet without being permanently reduced to poverty, and without depriving industry of the capital which it needs for development in order to reabsorb the unemployed. This need remains although the Excess Profits Duty is to be abolished. Sound finance is

¹ February 20, 1921.

² The Budget for 1921-22 amounts to £1,216,500,000, of which sum £158,500,000 is expected to be provided by the sale of war assets.

the bedrock of national security, for even a war waged in self-defence must be paid for. Does any sensible man suppose that the British nation has been made more secure by the vast sums which have been poured out during the last year in the Near and Middle East ? As for our domestic position, it is axiomatic that nothing impairs the standard of social conditions in any country so rapidly as excessive taxation. Very high taxes breed poverty and unemployment. We are spending immense sums on so-called 'social reform,' and the direct result of this squandermania is empty cupboards and no wage packets. Bread is a more vital necessity than education. Big Budgets mean a lowering of social welfare. That is my answer to the foolish people who suppose that by squandering in excess of the nation's ability to pay we are improving social conditions or staving off revolution.

The first necessity in framing the coming Budget is to look ahead and to ask ourselves what our financial and economic conditions are likely to be during the coming financial year. We are in a bad enough plight now, but how shall we stand next autumn and winter ? If the Government do not cut down with an axe, we shall be technically bankrupt anyway. A big Budget which the nation cannot meet spells insolvency. But what of the expected revival of trade ? My reply is that it is hopeless to expect trade to revive while the greater part of Europe is in a state of economic paralysis. The agricultural nations will keep going. They will feed themselves somehow, but that is not a revival of trade. I am a cheerful believer in the idea that some time or other we shall see daylight, but not yet, and certainly not this year. It is absolutely imperative that at this critical moment both business men and politicians should face realities and not delude themselves. If any trade revival is near, I cannot see it coming. The fundamental conditions will probably remain unchanged, and I hardly like to think of next autumn. My reason for thus bluntly declaring my views about the movements of trade during the coming financial year is that twelve months ago Mr. Austen Chamberlain and his advisers made a great mistake. Mr. Chamberlain supposed that we were entering upon a 'Boom' year, and he piled up the Excess Profits Tax and other imposts, with the result we now see in the processions of unemployed. The bottom fell out of the 'Boom,' which was collapsing, although he did not realise it, at the very time he introduced his Budget, with its £200,000,000 of new

taxation in a full year. If little fluctuations on the Stock Exchange or flickering improvements in our export trade are to lead to the belief that we shall soon be in smooth water and sailing over sunlit seas, then the consequences will be deplorable. To frame the Estimates in the hope that trade will be better in the autumn will simply be to repeat last year's blunder without the slightest justification.

In my suggestions for the next Budget I will first take certain figures from the singular leaflet signed by Mr. Austen Chamberlain and published at the request of the Coalition Whips in the *Sunday Pictorial* of December 12, 1920. I do so because the figures were more detailed than in the Chancellor's Birmingham speech. Mr. Chamberlain, who was careful to indicate that he was referring to expenditure 'next year' (that is, in the financial year beginning in April 1921) put the interest on debt at £345,000,000. I take his figure. Neither Mr. Chamberlain nor anybody else has made provision in the published calculations for the payment of interest on our debt to the United States. I follow the Chancellor, and await his promised plan. Mr. Chamberlain put down the pensions to disabled soldiers, to widows and children, and old age pensions at £149,000,000. These are irrevocable. Mr. Chamberlain was audacious enough to say that expenditure cannot be reduced to £800,000,000, 'unless the State repudiates its obligations to its pensioners or to its creditors, or risks the safety of the nation.' I contest this statement, which was apparently meant to persuade the pensioners that the payment of their pensions depends on big Budgets. I say without hesitation, first, that the pensions constitute the very first charge on the nation's resources, and are so sacred that they come before the payment of interest on debt, but, second, that big Budgets threaten insolvency and a general default of liabilities. I also take the item of £17,000,000 for unemployment and health insurance. Again I point out that it is Mr. Chamberlain's own figure.

Mr. Chamberlain said that in an £800,000,000 Budget there would be nothing for the 'fighting forces.' Let us see. In 1913, when Europe was one vast armed camp, we spent £28,000,000 on our Army. Let us make it the same to-day. In the same year, when the German High Sea Fleet was not at the bottom of the sea, we spent £48,000,000 on the Royal Navy. In my view £35,000,000 should now suffice for our naval protection. It must be remembered that the

cost of material, including the material required for the Navy, is falling so rapidly that it should soon be as cheap as in pre-war times. I am convinced that for an annual expenditure of £10,000,000 we could maintain an Air Force ample for our present needs. The Air Force still spends far too much. This suggested provision for the fighting forces is not calculated wildly or hastily. If we stopped our ridiculous adventures in the Middle East it would be more than enough, for we have no one left to fight. There must be a big reduction of strength. It must also be remembered that the English paper pound is steadily approaching the purchasing value of the old gold sovereign. We have limited the German Army to 100,000 men, we have reduced the German Navy to a few small and obsolete vessels, and we have forbidden the Germans to maintain any combatant Air Force. As Germany will therefore be spending next to nothing on her fighting forces, even the £73,000,000 I am allowing for our own naval and military expenditure will be an almost fatal handicap in our trade competition with the new Germany.¹ There are certain items charged upon the Consolidated Fund, such as the Civil List, and the salaries of the Speaker and High Court and County Court Judges, for which I allow £1,500,000, which is near the present figure.

We may now see what these various sums amount to. They are as follows :

Interest on debt	£345,000,000
Pensions to disabled soldiers, widows and children, and old-age pensions	149,000,000
Health and Unemployment Insurance	17,000,000
Royal Navy	35,000,000
Army	28,000,000
Air Force	10,000,000
Consolidated Fund items.	1,500,000
Total	<u>£585,500,000</u>

Supposing the total Budget to be £800,000,000, there is thus left the huge sum of £214,500,000 for the expenditure on all the bureaucratic departments known collectively as the Civil Services and for such items as extra police pay. In 1913 the total Civil Service Estimates (excluding old-age

¹ The actual Estimates (gross) for 1921-22 have since been issued, and amount to £216,000,000, made up as follows : Navy, £91,000,000 ; Army, £106,000,000 ; Air, £19,000,000.

pensions £12,600,000) amounted to £41,300,000, to which may be added £4,500,000 for the cost of the Customs and Inland Revenue Services. There are also the Post Office charges to be reckoned with, though the whole of them ought to come back in revenue if the posts, telegraphs and telephones are managed on a business-like basis. Within the broad area of the £214,500,000 which I have indicated, ample room can be found for the expenditure side of the Post Office account. I may point out that the total national expenditure chargeable against revenue in 1913 was £197,000,000, and we thought it huge. This included the service of the Debt. If any Minister tells me that the Government cannot give us, out of this estimated balance of £214,500,000, what we got in the way of civil public services in 1913 for £41,300,000, including something extra and very substantial for education, and leave a big margin over, then all I can say is that they should adopt Mr. Lloyd George's injunction eighteen months ago and 'make room for somebody who can.'¹

My allocation for the civil bureaucracies includes provision for the relief of local rates in excess of the sums designated by Mr. Chamberlain in his leaflet. The burdens heaped upon the unhappy ratepayers are so appalling that nothing must be done which would add to the demands made upon them by the rate collectors; but I also hold that Parliament and the bureaucracies have imposed far too many costly duties upon the local authorities, and that these should be at once curtailed. Some of the local authorities are, however, extremely wasteful in their tendencies, quite apart from the pressure put upon them by Parliament. They are often overstaffed, their staffs are paid more than the local communities can afford, and they are making a terrible mess of such municipalised undertakings as tramways. I deny Mr. Chamberlain's suggestion at Birmingham that the public services should now cost two-and-a-half times as much as the pre-war charges. They should not even cost 50 per cent. more. Prices and the cost of living are falling fast, and the bureaucracy should not be paid at war rates in future. By the end of this year the cost of living will probably have fallen to somewhere near the 1914 line. The incomes of the middle classes will probably be substantially lower than in 1914, and

¹ The total Estimates for the Civil Service and Revenue Departments for 1921-22 have since been presented, and amount to the appalling total of £460,901,000.

all wage-rates will have declined. Postal servants and elementary school teachers were seriously underpaid before the war, and this fact must be taken fully into account, but the standard rate of pay of most other State servants will have to revert to the 1914 level.

My figures include all that we can at present allot from the National Exchequer for education. The first educational necessity to-day is to overhaul our defective system of elementary education, which is being neglected while the idealists try to start all kinds of expensive 'fancy' schools. My view is that there must be a drastic modification of our educational ideals. Free primary education should be provided for all, but secondary education, evening continuation classes, and every other costly excrescence must at least become self-supporting. I have provided nothing for debt redemption, but neither did Mr. Chamberlain at Birmingham. In common with most other business men, I hold that we must get our trade going again before we attempt to redeem debt.

In such a Budget as I have indicated all Government controls must go, all new and superfluous Ministries must be swept away, all subsidies must cease, and all the older Ministries must undergo a ruthless reduction of their swollen staffs. The discredited figures issued by the Labour Ministry, which greatly exaggerate the cost of living, must be instantly subjected to independent expert investigation. All foreign military adventures must be stopped. I have not attempted to sketch a fancy Budget, but a practical normal Budget. I believe we could carry through on considerably less than £800,000,000. So recently as October 1919, Mr. Chamberlain submitted to the nation a 'normal' Budget amounting to £808,000,000. We are not now in normal times. Our financial temperature is 'sub-normal,' and we must have a Budget which recognises our temporary impoverishment. The alternative is the possibility of a collapse from which we may never recover.

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